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GOVERNMENT OF INDIA
FINANCE DEPARTMENT

BUDGET FOR 1922-23



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GOVERNMENT OF INDIA.
FINANCE DEPARTMENT.

BUDGET FOR 1922-23.

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BUDGET FOR 1922-23.

PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE
PROVISIONS OF THE GOVERNMENT OF INDIA ACT.

Wednesday, 1st March, 1922.

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

The Honourable Sir Malcolm Hailey (Finance Member):—

It was my duty last year to place before this Assembly a budget which exhibited a heavy deficit. I had to confront the House, at the very inception of its career, with one of the most difficult problems which can fall to the lot of a representative Assembly. The responsibility was heavy, for the world was watching to see how this, the youngest of Parliaments, would meet a test which might have strained the capacity of many an older institution. But those of us to whom the success of the reformed constitution had become an article of faith had no apprehensions; and we were justified of our confidence. The House took up its burden in a spirit which in the common judgment of every serious critic at once sealed its position among the representative institutions of the world. It would have indeed been a welcome task if I could have come before you to-day with the confident assurance that your courage had met with the success it deserved; if we could have told you that the steps you took last year had rehabilitated our finances and closed the gap between the income and the expenditure of the nation. But Providence has seen otherwise, and this Assembly again has to face the heavy responsibility of dealing with a situation of great financial difficulty. It is no secret that the incomings of the current year have fallen far below our expectations; and as the House has probably already anticipated, the estimates for the coming year disclose a heavy excess of expenditure over revenue.

2. Let me from the first make one point clear. I shall have no such apologies to make—as may have to be offered by the Finance Ministers of other countries—regarding increase of expenditure due to causes which could be held to be within our own control or due to our own volition. You will not have cause to complain that we have, in circumstances of exceptional stringency, embarked on fresh avenues of expenditure, or engaged in enterprises which should have been deferred until our finances were in a position to afford them. The details I shall subsequently give you will make this abundantly clear. Our difficulties are due to a falling exchange, to the continued depression in world trade, to reduced returns from our commercial services and increased running expenditure incidental to their maintenance. I can claim—and the figures I present will justify my claim—that the most exacting control has been exercised in preventing any excess over our estimates of standing and established charges, and that every possible avenue of fresh expenditure has been stopped and barred. So much for economy; our critics will however probably go further and urge that in all the circumstances it was not enough merely to have stopped fresh expenditure; we should have entered on the more drastic field of retrenchment. I shall return to this subject again; as the House knows we fully admit the necessity of retrenchment; but I will only say here (and again without fear of challenge) that though retrenchment would improve our position, no measure that we could conceive or could hope to carry through could radically alter the situation in which we find ourselves. I have thought fit to make these points clear from the first. I have to put before the Assembly a position which is full of difficulties for us, for the House and for the country; but I can present it with all the greater confidence and with all the greater frankness, because I am convinced that every fact and figure which I present will only justify and confirm the points I have now made. It is a situation which we have to meet together; the House I know will meet it with that high sense

of responsibility with which it encountered the situation of last March ; we may differ in detail as to the exact method of dealing with it ; but neither as to the causes which have occasioned it, nor as to the main solution to be applied have I any apprehension of difference or dissent.

General characteristics of the year.

3. I come now to the details of our position, and will deal first with the general conditions which have falsified our estimates of revenue for the present year. What were the circumstances in which we budgeted last March ? The trade boom which followed the Armistice had definitely passed away and a heavy reaction had set in ; but the future outlook was obscure, and it was impossible to say what precise effect it would have on our revenues. We budgeted in an atmosphere of trade depression, and our estimates allowed for a definite retardation in the normal growth which our revenues might otherwise have been expected to exhibit. But it was not possible to foresee that the depression of trade would reach such abysmal depths, nor that its consequences would react so disastrously on our finances. I will take separately the internal and external factors. As to the former, the effects of the poor monsoon of 1920 continued to show themselves throughout the year 1921. Wheat rose to Rs 6 a maund in January and to the almost unexampled figure of Rs 8½ per maund in December ; Rangoon rice increased during the same period from Rs 1 to Rs 6½ a maund. Not only did we have to continue the embargo on the export of wheat, but India became a heavy importer. Labour trouble at the collieries curtailed the raising of coal ; we could only maintain the service of our railways by purchases of foreign coal at greatly increased expense and again of course with detrimental effect on our balance of trade. Thirdly, the conditions of the country have been such, partly economic and partly political, that there has been a complete stagnation of the ordinary activities of internal trade. I shall not dwell again now on the unfortunate series of events which led to the locking up of many million pounds' worth of imported goods owing to the inability or the failure of importers to take up their contracts. But whether this was due entirely to economic or partly to political causes, the event was typical of much of the history of internal trade throughout the year. Not even an unusually favourable monsoon in the autumn of 1921 has succeeded in solving a position due to the interaction of these double influences. Such were the internal conditions ; I need not dwell at length on the external conditions. The prevailing depression in Russia and Central Europe, aggravated by famine conditions in the former country, continued to deprive India of the customers on whom in normal years she is wont to rely. How unstable was the basis on which our exports depended is shown by the history of our reviving trade with Germany. Exports to that country which averaged 1½ crores monthly during the period July-September collapsed with the catastrophic fall of the mark in October and had fallen in December to only half a crore. Our exports, which had reached their height with 31 crores in March 1920, had declined to 18 crores in March 1921 and reached their lowest point in June of last year with 16 crores. It is true that there was a recovery to 21 crores in December, but on the whole, greatly reduced as has been the scale of our imports, there is a total balance against us of 33 crores for the ten months ending January.

REVENUE AND EXPENDITURE OF 1921-22.

Current year's Revenue.

4. Let me proceed at once to give in figures the total result of these unfavourable factors. The budget estimates as finally passed provided for a small surplus of 71 lakhs ; the revenue including new taxation being estimated at 1,28½ crores and the expenditure at just over 1,27½ crores. We now estimate that the revenue will be 1,08 crores or 20½ crores less. I will take only the principal items. Under *Customs* we expected 37¾ crores ; we do not now look to realize more than 33½, or a falling off of 4¼ crores. But for a heavy revival of the import of sugar in the autumn our total receipts would be even worse ; indeed sugar has come to our assistance to the extent of 6¾ crores out of the 33½. In *Taxes on income* we shall probably have to pay some heavy refunds, owing to adjustment of provisional assessments made on last year's profits, and taking receipts and refunds together, the income will fall short by 90 lakhs of the budget figure of 18½ crores. *Salt* will be short by 80 or 90 lakhs of the expected figure of 7 crores, mainly owing to our inability to maintain a full supply of Northern India salt. *Opium* will be short by 70 lakhs on the expected total of 3,73 lakhs ; clearly our customers in the Far East anticipate decreased consumption as the result of international

action. I come now to our commercial departments. Naturally enough our *Railways* reflect the great stagnation of trade throughout the year, and in addition, the returns of the last few weeks have shown the effect of the recent strike. We expected to get gross receipts of 87 crores and shall have to content ourselves with 83. But the mischief does not end here, for far worse than the decline in gross traffic receipts is the increase in working expenses. Owing to short raisings of coal we have had to pay more for the Indian article, and to supplement the home supply by heavy purchases from abroad, and altogether the total excess of working expenses over the budget figure will be $7\frac{1}{4}$ crores. Allowing further for some falling off in the receipts from the surtax, the total worseness on the railway budget will be no less than 13 crores; and railways, after payment of interest charges, will, for the first time for many years, be working at an actual loss, namely over $2\frac{1}{2}$ crores. Finally, there are the *Posts and Telegraphs*. The gross revenue is about $1\frac{1}{2}$ crores less than anticipated, of which about 35 lakhs occur in the yield from the new rates approved by the Assembly last year. Here again we have an instance of a large commercial department working at a deficit; the total loss to the general taxpayer on the combined department in the current year will be about 90 lakhs. The combined effect of these items is to produce the falling off of 20 crores to which I have alluded.

5. Then as to expenditure. As I have said, we expected to spend $1,27\frac{1}{2}$ crores. Current year's Expenditure. But we shall have to spend 2 crores more on account of the increase in *interest charges* due to the larger proceeds of the rupee loan realized by us this year and the increased borrowings undertaken in London. Under *military expenditure*, it will be remembered that we allowed for 62.20 crores of which 3 crores was attributable to Waziristan and one crore to expenditure on demobilization. During the year however operations in Waziristan continued, contrary to our expectations, on the extended scale set up in the concluding months of 1920-21, and altogether our expenditure on operations in that quarter have cost us $6\frac{3}{4}$ crores. I do not propose to analyse here in detail the remaining figures of military expenditure; they still contain abnormal features such as on the one side arrear claims from the War Office and on the other unexpected recoveries of arrears from the same source. There have also been very heavy increases in the cost of foodstuffs. It will be sufficient to say that on the whole, in spite of the increase due to this factor, and to the heavy excess on Waziristan operations, we have managed by careful control to keep the excess down to $2\frac{3}{4}$ crores. The total therefore stands at 65 crores against a budget of $62\frac{1}{4}$. No new permanent liability of any considerable amount has been added to the military charges in India with the exception of an enhanced scale of pensions for the families of Indian soldiers and the expansion of the Territorial force.

6. The increases in civil expenditure have been of minor importance and have for the most part been passed already by the Assembly in the form of supplementary grants. But there remains one head of great importance the *loss by exchange*. As I explained last year, the head is really one of adjustment. In the case of our commercial departments the difference in exchange between 2s. (the rate at which our accounts are kept) and the actual rate is adjusted under the departmental head concerned, and that accounts for a certain proportion of the excess expenditure under Railways and Posts and Telegraphs. In the case of all other departments this adjustment for exchange is lumped together under the one head Exchange. I need not perhaps go into the circumstances under which we assumed a rate of 1s. 8d. last year; it was an accounts assumption, not a prophecy; but I would remark here that in December 1920 (when of course our forecast was drawn up) the actual rate was between 1s. 7d. and 1s. 8d. We were twitted at the time with optimism; but I do not remember that our critics were then prepared to back any other figure with conviction. Exchange did indeed during September rise to 1s. $5\frac{3}{4}$ d.; but it was followed by a rapid decline to below the 1s. 4d. level, in sympathy with the sudden fall of the German mark. For the rest, the summary which I have already given of our import and export trade is sufficient to indicate the immediate causes at any rate of the weakness of exchange; it only remains to add that the total cost to us under the head "Exchange" of its failure to reach the 1s. 8d. figure must be taken at $5\frac{3}{4}$ crores.

7. Altogether then our expenditure is somewhat over $14\frac{1}{4}$ crores more than we expected; and the total deficit will amount to no less than 34 crores. Deficit of current and previous years. If you carry your minds back to the history of the last three years, the House will realize that this is now the fourth deficit in succession. In 1918-19 it amounted to 6 crores; in 1919-20,

mainly due to the Afghan War, the deficit was 24 crores; our final accounts of 1920-21, swollen by many adjustments of arrear expenditure on the Afghan war and the Great war, showed a deficit of 26 crores. Adding the 34 crores to which I have just referred, the total excess of expenditure over revenue in the four years comes to 90 crores. I am not ready to explain to the House the methods by which we have during the past four years provided the money necessary for carrying on the administration, nor to dwell on the implications, to be drawn from this continued succession of deficits. I have still to deal with the revenue and expenditure of the coming year.

ESTIMATES OF 1922-23.

I.—Revenue.

Outlook for next year.

8. I do not know if there is anyone here who would feel entitled to speak with confidence of the assumptions we should make in estimating for budget purposes the character of the year on which we are about to enter. For myself, I can only indicate the main factors which have guided us. We have had a favourable monsoon and good winter rains; this in itself should bring down the price of food grains and help to rectify the balance of trade. On the other hand, the bazaar trade still has before it all the difficulties involved in the liquidation of the import contracts entered into two years ago, and the spectre of unrest looms before the trader, paralysing industry and benumbing enterprise. As for the outside world, the relative strength of India's position is of course largely due to her share of the world's staple requirements. It is true that overseas stocks of Indian goods are still large, but they have been much reduced during the course of the past year, and foreign consumers have been forced to come to India to a considerable extent for their immediate necessities. Her raw jute and jute manufactures, though the period of boom has definitely passed, should still hold their own; tea and cotton have indeed recovered to an extent that we could hardly have anticipated last year. The total exports of India during December 1921 were higher than those of any month since September 1920. Although therefore stocks of India's commodities in India are high, the signs are not unfavourable. It is probable that the historian of the future, with a clearer perspective, will look on the year 1921 as the logical sequel to 1920. The latter year experienced the full force of the reaction from the feverish and unhealthy trade activity which followed the Armistice. This reaction showed itself in a collapse of the world's purchasing power, an unparalleled slump in prices and congestion of unsold and unsaleable stocks. In 1921 we had the beginning of the painful process of re-adjustment. We have already made some advance in that process, and the conditions of India are such that (if she can only maintain internal peace) she may reasonably expect to take an early share in the revival of trade.

Estimates of revenue for next year.

9. I admit that the factors are obscure in many directions of great importance and they certainly do not encourage optimism. But on the whole we seem justified in framing our budget estimates on the assumption that there will be some slight improvement over the trade conditions which have existed during the current year. I will take the main heads in detail. Under *Customs* we assume that the imports of piecegoods will be somewhat better than those of the current year, and also that, as a result of the withdrawal of the restrictions on the export of Burma rice, the revenue from that export duty will now become normal. We have also assumed a moderate improvement in the exports of jute; on the other hand, we cannot expect that the imports of sugar will be on any thing like the scale of the current year, though we have felt justified in taking an estimate of $4\frac{1}{4}$ crores as against the $6\frac{3}{4}$ crores likely to be received from that source this year. On the whole, we are assuming a net Customs revenue of 36.42 crores, nearly 3 crores in excess of the revenue which we are likely to collect in the current year. Then as regards *Taxes on Income*, we expect an increase in the net demand in most provinces with the exception of Bengal, but on the other hand the figures of the present year have been swollen by large arrear collections, and in the net, allowing for refunds in respect of collections on provisional assessments, we are assuming a total revenue of 19.87 crores, which is about a crore less than our probable revenue in the current year. Under *Salt* we have adopted an estimate of slightly over 7 crores, practically the same as that of the current year's budget. Our receipts from the sale of *Opium* are now mainly derived from the direct

supplies we make to foreign and Colonial Governments on the contracts now in force, and, except when new contracts are entered into, do not vary very much from year to year; our revenue from the auction sales is, however, steadily dwindling and we do not expect more than half a crore from this source, making a total revenue, inclusive of the revenue from excise opium, of approximately 3 crores. This is about 60 lakhs less than the current year's budget and about the same as the revenue we expect to get in the current year.

10. In attempting to frame an estimate of net receipts from *railways* we are met with two difficulties. In the first place it is difficult to say what will be the exact yield from the new goods rates which will be brought into force from April the 1st next, replacing the present surtax. It is also difficult to say what the working expenses will amount to, as the coal market is in an abnormal state and a substantial increase or decrease in the cost of fuel will vitally affect the total. For *gross traffic receipts* we assume that the new goods rates will not yield less than 6 crores, and we think that an allowance of between 4 and 5 crores for normal growth in revenue is as much as can be justified. We think therefore that a fair estimate of gross receipts next year will be 93½ crores. For *working expenses* we have taken the high figure of 68½ crores on the assumption that fuel charges will remain high, and after making as much provision as possible for the replacements and renewals which, as everyone knows, are so badly needed on all our railways. On these estimates, the *net receipts* next year will work out to 24½ crores; after allowing for interest and other indirect charges which will amount to 26 crores, the railways will be working at a loss of over 1 crore. This is not the proper occasion for me to embark upon any discussion of the question how far the administration of our railways should, in any particular year, be carried on with the object of producing a profit to the general taxpayer. It is a matter regarding which one side of the question, and one side only, has been put forward with considerable force in the report of Sir William Acworth's Committee. The House is aware that the proposal made by that Committee to effect a complete separation between the railway and the general budget was duly considered by a committee composed of members of the two Houses of the Legislature, whose report was published last December. That committee decided that, whatever might be the theoretical merits of this question, practical considerations alone made it impossible to effect any such separation for the present. On one point, however, there can, I imagine, be no room for diversity of opinion, namely that the railways must pay their own way. For this reason we propose to take measures to increase the traffic receipts. The estimates which I have just given already take account of a substantial increase in goods rates in substitution of the existing surtax. The only remaining course therefore is to effect a material increase in passenger fares. An increase averaging about 25 per cent. will, we estimate, produce an extra 6 crores of revenue. This will of course more than make up the estimated loss on next year's working, but we shall have to continue for many years heavy expenditure, debitable to the revenue account, on replacements and renewals, while our enlarged programme of capital expenditure will involve a cumulative increase of interest charges for some years to come; we therefore consider that we are justified in providing for some margin.

Contemplated
increase in
passenger fares.

11. The remaining important head on the revenue side is *Posts and Telegraphs*. I must first of all explain what we have done as regards the separation of capital expenditure from expenditure charged to revenue. The House will remember that this question was examined last March on the initiative of Mr. Samarth, when it was decided to transfer approximately 1 crore from revenue to capital as representing expenditure which was intrinsically of a capital nature. That transfer was made more or less summarily; it was obviously desirable to keep on the right side, and not to debit to loan funds expenditure which was really of the nature of running expenses and would only have to be written back to revenue. We have subsequently made a more careful examination of the various items of expenditure, and as a result we have felt justified, in the revised estimates for the current year, in debiting to capital a total amount of 1,28 lakhs. For the ensuing year, of the total estimated expenditure of 11½ crores we find that we can justifiably take 1,45 lakhs to capital provisionally, pending of course the reconstitution of the post and telegraph accounts as a result of the investigation which has just been completed by the expert accountants who have been engaged on that work. With this division as between capital and revenue, we estimate that the expenditure chargeable to the revenue account next year will exceed the receipts by

Loss on the postal
department.

about 96 lakhs, after allowing for the debit of interest on the capital charge. This figure, however, does not include the cost of pensions on the one hand, and on the other credits for certain concessional services rendered by the department to Indian States or foreign Governments. If we make adjustments on account of these items, there will be a further credit due to the department of about 17 lakhs, and, allowing for this, it may be said that during the current year the department has been working at a loss of about 90 lakhs, and that next year it will be working at a loss of about 80 lakhs. This has a very definite bearing on certain proposals that I shall shortly mention.

Actual revenue expected.

12. This closes my review of revenue for the coming year. Including the increase on passenger rates, it should amount to 1,16½ crores; without that increase, it would come to 1,10½ crores as against a revised estimate of 1,08 crores for the current year. I come now to the expenditure side.

II.—Expenditure.

Ban on new expenditure.

13. The first point I have to emphasise is that, as was the case a year ago, the demands of the various departments for the inclusion of items of new expenditure have been enormously curtailed; in effect, we have made provision for no new expenditure which cannot be demonstrated to be of imperative necessity or likely to be immediately remunerative. Such items of new expenditure as have passed through the meshes of the Finance Department's net have further had to undergo the fire of the Standing Finance Committee's scrutiny before being embodied in the detailed estimates which are about to be placed in Hon'ble Members' hands. One head where the effect of this policy has been particularly marked is *Civil works*. The figure entered is 166 lakhs, and I must point out that this is only just sufficient to cover maintenance, repairs and establishment charges and the carrying on of works already in progress, and that it makes practically no provision at all for new construction. I do not think I need refer to the details of the estimates entered for *interest on debt*, *sinking funds*, and so forth, for such charges may be regarded as obligatory. Hon'ble Members will notice in the detailed estimates a special expenditure of 60 lakhs under *political charges*; this is a tentative provision for a scheme for the better solution of political troubles on the frontier. It has not yet crystallised into a form which admits of the exhibition of full details. For the rest, the variations in civil expenditure are not large. There will be a saving from the cessation of *census operations*, counterbalanced by certain additions to *income-tax* establishments, and a provision of 16 lakhs for various schemes of improvement at the *salt* sources in Northern India which are of imperative necessity for the safeguarding of our salt revenue. Apart from the extra political charges and the other variations which I have just referred to, the civil heads show a small increase on the probable expenditure in the current year.

Estimated rate of exchange for next year.

14. As regards *exchange*, I may say at once that I see no indications, in the present conditions and outlook of our foreign trade, which would justify our assuming an average rate of exchange higher than 1s. 4d. during next year, and accordingly that is the figure upon which these estimates are based. In mentioning that estimated average rate I must again impress on the House that I am attempting no sort of prophecy regarding the future course of exchange, nor should anything that I say be taken as an indication of policy. It is of course unavoidable, for the purpose of the budget programme, to make some sort of assumption, however rough, as to the level at which exchange is likely to stand, taking the coming year as a whole. I have, as I have said, assumed for budget purposes a rate of 1s. 4d. The debit that will be necessary in our accounts, which are still maintained on a 2s. basis, will on this assumption be about 15½ crores, of which 10 crores will appear under the head "Exchange", the remaining 5½ crores being debited in the estimates of the commercial departments.

No provision for reduction of provincial contributions.

15. Finally, before I come to the military estimates, I must point out that we have made no provision for any reduction in the present contributions payable to us by the Provincial Governments, the amount of which, after allowing for the waiving of the Bengal contribution, is 9,20 lakhs. The House is aware that several provinces, notably, Madras, the United Provinces and the Punjab, have pressed us strongly for some reduction next year in the amount of their contributions. It is also a

matter of common knowledge that many of the provinces are finding it difficult, if not impossible, to cover their expenditure, and have had to ask their legislatures to sanction various schemes of new taxation in order to help balance their budgets. I shall have something more to say regarding the position of the provinces before I sit down. For the present, I will only say that we have not provided for any reduction for the simple reason that, with the certainty of a deficit staring us in the face, it was quite impracticable to do so. But I need hardly say that the progressive reduction and extinction of these contributions must be regarded as a first charge upon any betterness that the financial position of the Central Government may show in future years.

16. I now take the final and heaviest figure, namely, Military expenditure. The established charges we estimate at 59·70 crores against 58·20 in the current year's Budget, Waziristan charges at 2·13 against 3·00, and demobilization expenditure at 35 against 1·00; the total is therefore 62·18 crores or approximately the same as in the Budget for the current year. The increase in established charges does not represent any addition to the strength of the post-war Army as already laid down, except in the case of the Territorial Force, and is largely due to an item which lies entirely outside our own control, namely, the great increase in prices of provisions and other consumable stores. These are estimated to cost nearly 2 crores more than in the current year. Apart from the outlay necessary for the expansion of the Territorial Force and from a relatively small sum of money for the revision of the pay of certain classes of Indian personnel in Army services whose remuneration has not yet been brought up to the standard obtaining in other quarters, no new demands for military outlay have been admitted. Not only so, but it would have been impossible to keep the established charges down to the figure I have given had we not effected retrenchment in a number of directions, notably in Military Works, the purchase of new equipment, and the strength of the reserve, and further by taking credit for an anticipated shortage of British troops. As regards Waziristan, I fear that the figure can be regarded as tentative only, for it is always difficult to forecast the exact effect of military operations of this nature. These operations may as in the present year lead again to an excess in the military budget. The 35 lakhs on demobilization expenditure represents the sum which the Secretary of State has estimated will be required in 1922-23 for the payment of India's share of the compensatory gratuities to officers of the Indian Army who have been found surplus to strength owing to reduction of establishment.

17. The net result of these figures is that we expect an expenditure of 1,42 $\frac{1}{4}$ crores against a revenue, on the basis of existing taxation and including the provincial contributions of 9,20 lakhs, which will amount to 1,10 $\frac{1}{2}$ crores, i.e., a deficit of 31 $\frac{3}{4}$ crores, which would be reduced to 25 $\frac{3}{4}$ crores by the contemplated increase in passenger fares mentioned by me.

Problem of how to meet the deficit.

18. I now come to the hardest part of my task to-day, namely, to discuss what measures should be taken to meet the grave problem presented by an estimated deficit next year of about 31 $\frac{3}{4}$ crores. It is obvious that there are, in theory, three courses which can be adopted, either separately or in combination. First, we can budget for a deficit, either the whole or part of the above amount; second, we can attempt to reduce our expenditure; and third, we can take steps to increase our revenues. The problem is so grave, and the issue at stake so large, being nothing less than the solvency of the country, that I make no apology for examining in some detail each of these three courses.

Would it be desirable, or would it even be possible, to leave the whole or the major part of this deficit uncovered? Now, so far as I have been able to ascertain, on one occasion only in the past has the Government of this country deliberately budgeted for a deficit. This was in 1915-16, the first budget of the war, when Sir William Meyer budgeted for a deficit of about 4 crores. In introducing that budget, Sir William Meyer carefully explained the reasons which had led him to adopt that course. He emphasised that the Government would not think of proposing to budget for a deficit if the deficiency in revenue promised to be of a more or less abiding

Military expenditure.

Resultant deficit.

Three possible courses.

(1) Budgeting for deficit.

character. That, however, he held, was not the case on that occasion; it was then too early in the war to be sure that the excess of expenditure over revenue was anything more than temporary, and unless and until it could be shown that the gap between revenue and expenditure was likely to last for some time, it would not be justifiable to impose increased taxation, especially as the Government's cash balances could at that time be relied on to produce the necessary finance. For the rest, so far as my researches go, the Government of India have always endeavoured to meet the expenditure of each year from the revenues of that year, and although on occasions their estimates have been disturbed and deficits have actually accrued, they have, except on the one occasion mentioned above, never deliberately contemplated that their expenditure should exceed their revenues. I do not think that there can be any doubt that this policy, consistently followed in good years and bad, when the outlook was fair and when it was gloomy, had much to do with the sound financial position in which India found herself at the beginning of the war, and with the excellence of the credit of the State both within the country and abroad.

Deficit not
temporary.

19. Now, in considering the extent, if any, to which we should be justified in leaving this estimated deficit uncovered, there are two points of vital importance to which I must invite the careful attention of the House. In the first place, it is necessary to examine briefly the real nature of the current and next year's deficits. Can it be said that the present emergency is similar to that which Sir William Meyer had to face in preparing his budget for 1915-16? I hold that the answer to this must be in the negative. I do not think that it is possible to take up the position that these deficits are due to transient causes, that we can look for better times ahead, and that we should consequently be justified in leaving things as they are, in the hope that before long our revenues will once more have equalled our expenditure. I must say frankly that I see very little prospect of any such equilibrium being attained within a measurable period. In saying this I do not mean to imply that either the probable deficit of 34 crores in the current year or the estimated deficit of 31½ crores next year is necessarily to be taken as a measure of the permanent gap between our expenditure and our revenues. I assume that, with the liquidation of our frontier commitments, that portion of our military charges which are classified as "abnormal" will disappear. I also assume that our revenues would respond to any substantial revival in trade, when the day of that revival dawns, as assuredly dawn it must. But after making every possible assumption of this nature, I do not think it can be said that, if things are left as they are, equilibrium will be attainable within a measurable time. It has, moreover, to be remembered that we have a certain loss of revenue in front of us, in respect of the gradual abolition of the provincial contributions. I have not overlooked the fact that the stabilisation of the rupee at 2s. would relieve our revenues to the extent of about 15 crores a year, but the House is in as good a position as I am to judge whether we should be justified in placing any reliance on this consummation. The problem, as I fear we must envisage it, is thus not one of carrying on until we have turned the corner, for the turning is nowhere visible.

How the deficits
have been financed.

20. Secondly, it is necessary to examine briefly what a succession of deficits really means, and what are the results which it leads to. I will not embark on any theoretical discussion of financial ethics, but confine myself to actual facts. Including the deficit of the current year, during the past four years our expenditure (in using the word 'expenditure' I mean of course expenditure debitable to revenue, and not capital expenditure on such objects as Railways and Irrigation) has exceeded our revenue by a total amount of 90 crores. Where did this money come from? The short answer is that we have been living on credit. About 37 crores have been obtained by the issue of fiduciary currency notes, namely, notes the only backing of which are our own I.O.U's. A further 47 crores will have been found by incurring floating debt in the shape of treasury bills, while the remaining 6 crores will have been taken from the proceeds of our regular annual borrowings. Our Treasury bills consist of short term bills (mostly for 3, 6 or 9 months) which we have so far managed to renew on maturity. But it is an open fact we have only succeeded in doing this by virtue of the recent stagnation of trade and consequent plethora of bank money; it is very doubtful if on any real revival of trade we should be able to keep "floating" an amount of treasury bills on anything like the present scale. A treasury bill outstanding in the neighbourhood of 60, or even of 40, crores is, as I have more than once pointed out, a matter for great anxiety, seeing that at

any time, with the appearance of other demands upon the discount market, such as a revival of trade or an acute monetary position, our sales might not cover our maturities and we should then have no alternative, if we were not to dishonour our bills, but to make a further large fiduciary issue of currency notes. During the past month or two we have, in fact, had a preliminary warning as to the insecurity of our position; a sudden tightening of money in Bombay led for a time to distinct embarrassment; in spite of our giving very much more favourable terms for our treasury bills we found great difficulty in meeting our requirements and were obliged as a temporary measure to re-issue a substantial amount of currency notes which we had cancelled during the preceding months. And of course the dependence of Government upon the money market, to supply it on credit with funds to meet the gap between incomings and outgoings, itself reacts strongly upon the supply of money available for trade, thus setting up a vicious circle. To escape from that circle is one of the most pressing problems before us.

21. What then is the inevitable conclusion to which these considerations lead? Putting aside all theoretical considerations of principle and of sound financial policy, the financing of a further deficit next year of an amount anything like the 31½ crores estimated is simply not a practicable proposition. I should be much mistaken if we have not already reached the limit of safety. To attempt to increase our floating debt beyond the figure at which it is likely to stand on April 1st next would be to invite not only grave monetary stringency, but possibly even a severe crisis. To raid the Gold Standard Reserve, which has been built up for an entirely different purpose, would be merely putting off the evil day, and would be an expedient which could be adopted only as a last resort and even then purely as a temporary measure. To rely on the proceeds of our annual rupee or sterling loans to finance our deficits would, as I shall show later in my speech, be equally impracticable, seeing that we shall fully need the whole of these for financing our existing capital liabilities and productive expenditure on our railways. The inevitable result, in short, of any attempt to finance a deficit of this size would, in my opinion, be to force us to large issues of unbacked currency notes, and I am sure the House will agree with me that the effect of such inflation upon the general level of prices in this country, and upon our general credit, would be very serious. My conclusion then is, and I state it with perfect confidence, that the problem before us is one that cannot be shelved or left to look after itself. It is a problem which has to be faced, and it is my duty to ask this House and the country, whatever their opinion may be of the particular proposals that we are making, to join with us in facing it.

Not practicable to continue financing deficits on the present scale.

22. How far can we reduce the deficit by cutting down our expenditure? I have already indicated the difficulties which we have encountered in regard to our largest spending department, the army. I have told the House that as regards the civil departments we have cut out all new expenditure which cannot be proved to be of imperative necessity. I do not claim that further reductions are impossible; as the House knows, we are committed to an enquiry into the steps necessary to effect retrenchment, even if that results in curtailing departmental activities. We have agreed to accede to the desire of the Assembly for the appointment of a Committee of retrenchment, and an announcement will shortly be made on the subject. But the field of civil expenditure over which that enquiry can range is small; it does not extend to more than 20 crores; and though retrenchment may and no doubt will be effected, it could have but a minor effect in restoring the balance. In any case a Finance Member must frame his budget not on what he hopes may be effected in the future, but on the basis of the expenditure now actually being incurred.

(2) Reduction in expenditure.

23. I have sometimes heard it asked why we cannot simplify to some extent our financial problem by taking to capital certain of the expenditure which is at present debitable to revenue. Why, it is urged, should the present generation have to pay for expenditure on public works or other objects, which have a permanent or semi-permanent life, such as civil buildings, roads and bridges on the frontier, new barracks, etc., or, again, on stores and material used in our commercial departments, such as the Posts and Telegraphs? This contention is to a large extent met by the facts that the present estimates make practically no provision at all for new civil buildings, that the construction of Delhi and capital expenditure on railways are already met from capital funds, and that we are already providing for the debit to loan funds of expenditure on stores and material for our Telegraphs. It is, however, quite unnecessary to discuss this question at any length, for, in point of fact, whatever may be the

Possibility of transferring expenditure from revenue to capital.

division in our accounts as between capital and revenue, we are unfortunately already meeting a large proportion of our annual expenditure from borrowed funds. The figures which I have already given show that we have been doing this on a very large scale, far in excess of what by any stretch of reasoning could be described as real capital expenditure. To reduce our revenue deficit by a mere stroke of the pen would not in any way affect or cover up the actual position.

(3) Increase of revenue.

Necessity for increasing postal rates.

24. If I have carried the House with me so far, I have established two propositions. The first is a two-fold one, namely, that the country cannot, if it has any regard for its credit or any thought for its future solvency, take refuge in the simple course of leaving the whole or even the greater part of this deficit uncovered, and further, that, quite apart from such considerations, it would not be a practicable proposition to do so, even if we tried. Secondly, however successful our efforts may be in reducing our expenditure, and imperative though it is that we should make the attempt, it is out of the question to expect any relief from this source to be on such a substantial scale as materially to reduce the excess of expenditure over revenues. I submit therefore that there is no escape from the conclusion that it is imperative to take every possible step to increase our revenues. We can do this in two ways: firstly, by ensuring that our commercial departments shall at any rate not be a burden upon the taxpayer, and shall if possible yield a profit; secondly, by increasing taxation. As regards the first method, I have already indicated that we propose to increase the railway receipts to the extent of about 6 crores by an increase in passenger fares. There remains the Post and Telegraph department. It is not possible to increase the telegraph charges, which are already on the high side, and indeed that branch of the department more than pays its way. We are, however, as I have already shown, losing heavily on the combined Post and Telegraph Department. Last year we invited the legislature to agree to certain measures for increasing our postal receipts. The most important of these, namely, the doubling of the postcard rate and the raising of the minimum charge for inland letters from half an anna to one anna, were not accepted. The increases agreed to were by comparison of minor value, and are only expected to produce 35 lakhs in the current year. Hon'ble Members will recollect the circumstances which led, by a compromise, to the adoption of a nine pie rate for letters exceeding half a tola in weight. I understand that the increased revenue from this source has been very small, not more than 10 lakhs; it has also led to many administrative difficulties in the matter of weighing letters and collecting over-charges, so much so that I am told that the collection of over-charges is not worth the revenue obtained, and altogether the inconvenience that has been caused to the public has not been commensurate with the gain to the exchequer. We shall now ask the legislature to reconsider the position which it took up last year. I admit now, as I admitted then, the enormous advantage to a country of a cheap postal service nor do I underestimate in any way the strong sentimental attachment that must exist to the pice postcard. My reply to such considerations, now as then, is financial necessity; with the enormous increase in the cost of working that has occurred in recent years the country cannot afford to maintain a postal service at the present cheap rates. We propose therefore to raise to half an anna the quarter anna postcard, and, secondly, to abolish the half anna and 9 pie rates for letters, making the charges in future one anna for letters not exceeding 2½ tolas in weight, and one anna for every additional 2½ tolas. We estimate that the increased revenue obtainable from these measures will be 1,60 lakhs. I may point out that, even after these changes, we shall still on the whole have the cheapest postal service in the world.

These two measures, namely, the increase in railway passenger fares and the increase in postal rates, will represent a total increased revenue of 7,60 lakhs, reducing our estimated deficit from 31 crores 76 lakhs to 24 crores 16 lakhs. I now turn to the further measures which we consider that the financial position of the country renders imperative.

Proposals for additional taxation.

25. The problem of how to raise a large amount of additional revenue through increased taxation, with the minimum of hardship to the taxpayer and the minimum of disturbance to trade and commerce has, I need hardly say, been the subject of anxious consideration for some time. The burden which the country is now invited to shoulder is a heavy one; we have done our best to distribute it as equitably

as possible and to see that all classes of the community shall contribute, each according to its capacity. When additional revenues are required, the first head to which one's thought naturally turns is Customs. Here, we are at once confronted with the fact that a Fiscal Commission is now sitting, and if the needs of our revenues were not so urgent, we should have preferred to await the conclusion of that Commission's deliberations before proposing any further alteration of the tariff. Any such postponement is, however, impossible. Whatever opinions may be held on the various important issues that the Fiscal Commission is now considering, and whatever decision may be ultimately arrived at on its report, there is no escaping the conclusion that the pressure of financial necessity must in any case inevitably involve the raising of our customs duties, purely for revenue producing purposes, irrespective of what the effect may be in the case of any particular tariff head in the direction of protection, Imperial preference, or free trade. In framing our proposals, we have, however, endeavoured to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties; in other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.

Customs.

No pre-judging of
Fiscal Commission's
Report.

26. (i) The vast majority of customs duties necessarily fall upon the consumer, and the general character of the proposals which I am about to mention is, therefore, that of a tax on consumption. We propose to raise to 15 per cent. the import duty on all articles now assessed to 11 per cent. But since one of the most important articles, both of import and of consumption, is piecegoods, we propose that the consumption of piecegoods in this country should be taxed by a further 4 per cent.; that is to say we would raise the cotton excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. The combined effect of these two measures is estimated to bring in an increased revenue of 5.45 lakhs. We have not, of course, overlooked the contentious history of the cotton excise duty, but after the account that I have given this morning of our financial necessities, and after what I have just said regarding the raising of the general *ad valorem* duty, I do not think that even the most malignant of our critics can accuse us of raising the cotton excise duty for the purpose of counterbalancing the import duty on foreign manufactures.

Details of customs
proposals.

(ii) The present import duty on machinery, iron and steel, and railway material, is only $2\frac{1}{2}$ per cent. We propose to raise this to 10 per cent., yielding an extra revenue of 4.05 lakhs.

(iii) We consider that the trade in foreign sugar can, and should, bear an increase of duty, and we propose to raise the present import duty from 15 to 25 per cent., yielding an extra revenue of 2 crores.

(iv) We propose to raise the specific duty of 12 annas per gross boxes of matches to Rs. 1-8 per gross boxes, yielding an estimated additional revenue of 95 lakhs.

(v) We propose to impose an excise duty of 1 anna per gallon on kerosene produced in India, with a corresponding increase in the duty on imported petroleum, namely, from $1\frac{1}{2}$ annas to $2\frac{1}{2}$ annas per gallon, the extra revenue from which measures will be 90 lakhs.

(vi) Last March we joined many Hon'ble Members in resisting in this House a proposal to remove yarn from the free list. We feel that the arguments then used must now yield to our financial necessities, and we propose to ask the House to agree to an import duty of 5 per cent. on imported yarn, yielding a revenue of half a crore.

(vii) The imports of articles which are assessed at the highest rate of tariff, namely, 20 per cent., have, during the greater part of this year, been very disappointing. I do not think, however, that this decrease can fairly be attributed to the new duty imposed last March, but rather to the very excessive imports, and consequent over-stocking, of the previous year. More recently, the imports of these articles have sensibly increased. We consider that the rate of duty can now be increased from 20 to 30 per cent., yielding an extra revenue of 75 lakhs.

(viii) As regards alcoholic liquors, the customs returns show that any attempt to increase the import duty on wines would almost certainly result in an actual loss of revenue, but as regards ale and beer, liqueurs and spirits, although we should have preferred to have waited another year before raising the duties further, we cannot

afford to neglect any possible increase of revenue in the coming year, however small. Moreover, when we are proposing heavy additional taxation, affecting many necessities of life, we think it is all the more imperative to take from alcohol the maximum revenue possible. We accordingly propose an increase of approximately 20 per cent. in the duties on all alcoholic liquors, except wines, yielding an extra revenue of 30 lakhs.

The actual increases proposed are as follows :—

	Present rate of duty.	Proposed rate.
Ale, beer, porter, cider and other fermented liquors, per gallon.	6½ annas.	8 annas.
Perfumed spirits, per gallon	Rs 30 0 0	Rs 36 0 0
Liqueurs, untested, per gallon	Rs 25 0 0	Rs 30 0 0
Liqueurs, tested, per proof gallon . . .	Rs 18 12 0	Rs. 21 14 0
All other spirits, per proof gallon . . .	Rs. 18 12 0	Rs. 21 14 0

No change is proposed in the duty on denatured spirits.

As regards tobacco, we do not think that for the present, having regard to the great decrease in consumption, any further increase in duty is possible without actual detriment to the revenue.

The total increased revenue obtainable next year from the increases in customs, which I have now mentioned, is estimated at 14.90 lakhs. Full details will be found in the Schedule to the Finance Bill which I shall ask your permission, Sir, to introduce this morning. The extra revenue during the current month is likely to be 80 lakhs.

Income-tax and
super-tax.

27. These measures will still leave an uncovered deficit of about 9½ crores. We feel it necessary to make a further call on the payers of income-tax and super-tax. We do not propose, however, to effect any alteration in the rate of tax payable by persons whose incomes do not exceed Rs 30,000 a year. Indeed an increase in those rates, even by a substantial amount, would not be likely to produce any large increase in revenue, seeing that most of our income-tax revenue comes from assessments made at the highest rate. We propose to raise the rate on incomes between Rs 30,000 and Rs 40,000 from 14 to 15 pies, and on incomes above Rs 40,000 from 16 to 18 pies. As regards super-tax, we propose to re-grade the higher rates, working up in the manner shown in the Schedule to the Finance Bill to the highest rate of 6 annas as against the existing highest rate of 4 annas. The combined effect of these two measures is estimated to produce an extra revenue of 2½ crores.

Salt.

28. Finally, we consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our ultimate reserve. We propose to increase the duty from Rs 1-4 to Rs 2-8 a maund. The present consumption of salt in India works out at about 6 seers per head of population. The increase of Rs 1-4 per maund will, therefore, represent 3 annas per head per annum, or, let us say, 12 annas per annum for each household of four. It cannot surely be maintained that this will be felt appreciably by even the poorest classes. The extra revenue is estimated at 5 crores a year, but in the first year, owing to the existence of the credit system of sales, is not likely to exceed 4.30 lakhs. As in the case of the increased Customs duties the increase in the salt duty will come into force from to-day, and the extra revenue in the current month is estimated at 20 lakhs.

29. The total extra revenue obtainable from the measures which I have mentioned to-day is estimated at slightly over 29 crores next year and at 1 crore in the current year. The uncovered deficit will therefore be 2¾ crores, together with the indeterminate liability to which I have already alluded in regard to Waziristan. Financial considerations by themselves would involve the imposition of a further taxation of at least 3 crores in order that we might fully establish equilibrium. After very careful consideration, however, we do not feel justified in asking the legislature to agree to the imposition of additional taxation beyond that which I have already mentioned. But the existence of any uncovered deficit is in present circumstances, a matter for anxiety; and we can only hope that by a combination of strict economy in every direction, together with an expansion of our revenues by a steady revival in trade, we shall before long arrive at a position of equilibrium, for I must warn the House that unless equilibrium between revenue and expenditure is arrived at in the near future, the financial position and credit of this country will inevitably suffer a rapid deterioration.

WAYS AND MEANS.

30. I have had a good deal to say to the House this morning regarding the state of the ordinary revenues of the country and the expenditure which is debitable to our revenue account. I must now turn to that part of our financial administration generally known as "Ways and Means." I know that some people are inclined to fight a little shy of ways and means matters because of the technicalities which are inseparable from the subject. But on this occasion I must invite Hon'ble Members to give their particular attention to the main facts regarding our ways and means operations in the current and coming years, for there is this year more than the usual connection between our revenue and our ways and means accounts. In the days of many of my more fortunate predecessors the existence of substantial revenue surpluses was frequently relied on to supply funds for financing our capital liabilities. There was much to be said for that cautious and conservative policy, which aimed at limiting strictly the amount of our borrowing and thus undoubtedly helped to place India's financial credit in the high position which it occupied. There was however something to be said on the other side, and there must be many here who remember Mr. Gokhale's trenchant criticisms of continued large surpluses which should, he contended, have been devoted primarily to the relief of taxation. During more recent years, however, we have unfortunately seen the other side of the picture, and I have already portrayed something of the difficulties which my Department has encountered in finding the actual cash to finance a series of revenue deficits. Indeed, it is because we are now obviously approaching the end of our resources as regards financing deficits that we have felt obliged, quite apart from all other considerations, to ask the House to agree to drastic measures in order to attempt to bridge the gulf between our revenue and our expenditure. I have shown that during the past four years we have had to find resources amounting to no less than 90 crores in respect of revenue deficits, including no less than 34 crores in the current year. In speaking of next year's deficit I have already emphasised the grave dangers involved by our attempting to continue to live on our credit in order to meet current expenditure. The facts and figures which I shall now give the House will show how this liability has handicapped us in our ways and means operations, has forced us to borrow large sums at high rates of interest, and has prevented us from reducing the dangerously high amount of our floating debt.

Effect on Ways and Means of revenue deficits.

31. I will first give the House a brief description of the other capital liabilities, besides this deficit, that we have had to meet, and of those which we expect to have to finance during the coming year.

		[In crores of Rs.]	
		1921-22.	Budget for 1922-23.
<i>Liabilities.</i>			
(i)	Drawings of and loans to Provincial Governments .	12.2	9.8
(ii)	Railway capital outlay	23.0	30.0
(iii)	Delhi and Telegraph capital outlay	2.7	3.5
(iv)	Discharge of debt	19.2	7.9
(v)	Revenue deficit	33.0	2.7
(vi)	Net discharge of Treasury bills issued to the public .	...	4.0
		<hr/> 90.1	<hr/> 57.9

Met as follows :—

(a) Rupee loan	49.2	25.0
(b) Sterling loan (converted at 1s. 4d.)	23.0	26.4
(c) Increase in Treasury bills issued to the public	2.8	...
(d) Credits from exchange	5.7	1.7
(e) Arrear recoveries from Mesopotamian Government	8.0	...
(f) Reduction of cash balances	2.1	1.1
(g) Net receipts from Savings Bank deposits and Cash Certificates	2.3	3.1
(h) Other items	—3.0	.6
	<hr/> 90.1	<hr/> 57.9

urrent year.

32. This shows we have had to meet liabilities of 90 crores in the current year, and that more than one-third thereof has been due to the revenue deficit. The Provincial Governments too have had their difficulties and have had to rely to a large extent (no less than $12\frac{1}{4}$ crores) on us to finance their deficits and capital expenditure, either by actually borrowing from us or by drawing on what is left of their balances with the Central Government. Altogether then, the financing of deficits, Central and Provincial combined, will account for over 45 crores, or more than half the total capital liabilities of the year. For the rest, $19\frac{1}{4}$ crores is represented by the discharge of our War Bonds, and the remainder by capital outlay on Railways, Delhi, and Telegraphs. In order to meet these large liabilities we have had, in the first place, sundry assets and receipts, amounting to 15 crores, which I need not specify individually. To meet the remainder we have had to raise rupee and sterling loans to an extent considerably greater than we had budgeted for. It will be seen that in India and London combined we have raised no less than $72\frac{1}{4}$ crores of rupees in new loans. That of course is a very large sum to raise, and we have only been able to do so partly because of the stagnation of trade in this country, which made Government securities almost the only available means of investment, and partly because of distinctly favourable conditions in the London money market. Finally, as a result of our heavy liabilities to finance deficits, we have been quite unable to effect any reduction in our floating debt; on the contrary, there will, we anticipate, be an increase of about $2\frac{3}{4}$ crores in the amount of treasury bills outstanding with the public at the end of the year.

Next year's liabilities.

33. As regards next year, we hope that if the House will second our efforts to increase our ordinary revenues we shall not have such a large sum to find in order to finance revenue deficits, though, apart from the Central Government's deficit of $2\frac{3}{4}$ crores, we have been warned that we may have to find nearly 10 crores, in the shape either of advances to Provincial Governments to enable them to carry on, or of drawings on their balances by such Provinces as will have any balances left. We have to find nearly 8 crores for the repayment of 1922 War Bonds, some $1\frac{1}{2}$ crores in respect of capital outlay on the Telegraph Department and 2 crores for expenditure on the new capital at Delhi, for this House has already decided that, if only in the interests of economy, it is desirable that this work should be completed as soon as possible, and 2 crores is the total amount which the engineers expect to be able to spend in the year. We are also budgeting for a reduction of 4 crores in the outstandings of treasury bills with the public; I have already said sufficient on this matter to indicate the imperative necessity of our not allowing our floating debt to remain at the present dangerously high level. There remains only the provision of 30 crores for capital expenditure on Railways, as against 23 crores that we expect to spend in the current year. My Hon'ble Colleague in charge of the Railway Department will, I understand, bring before the House in the current session the recommendations made by the Committee of the two Houses of the Legislature which met in December last to consider the question of our Railway capital programme. I will not anticipate here the discussion which will no doubt then take place. All I will say is that, great as are the liabilities thrown upon our ways and means resources in other directions, it would in my opinion be a short-sighted policy, and detrimental to the trade and prosperity of the country, if we hesitated to take all possible steps to restore our railway lines to the condition demanded by the travelling public and the country's trade. This 30 crores will be practically all devoted to the improvement of existing lines; there is no provision for any new construction, except a small amount, under 2 crores, for the completion of new lines already in progress.

Railway capital expenditure.

How to be met.

34. Apart from certain miscellaneous receipts, such as savings bank deposits, we must rely entirely upon our borrowings in order to finance this liability. For the purpose of these estimates we have entered a rupee borrowing of R25 crores and a sterling borrowing of £17½ millions, the latter figure being inclusive of about £2 million which will be realised next year out of the sterling loan of £10 millions floated in December last. We thus anticipate next year a total borrowing of 51½ crores, though we do not of course bind ourselves to distribute our borrowings as between India and England in the particular proportion I have mentioned; this must depend upon market conditions during the year. As the House is probably aware, it is by no means certain that the recent favourable conditions as regards sterling borrowing may continue throughout next year. Hitherto, Indian sterling stock has occupied a

very high place among what are known as gilt-edged securities. For the first time for very many years, Indian securities recently had a sudden, but fortunately only temporary set back in popularity owing to apprehensions felt in the United Kingdom regarding the internal situation in this country. Brief as was the period of depression, the incident nevertheless carries its own warning, and I feel that it would be unsafe to count on a total borrowing, in rupees and sterling combined, larger than that for which we have taken credit. As regards rupee borrowing there are, moreover, two considerations to be borne in mind. In the first place we must remember that any appreciable revival in trade must inevitably lead to other channels of investment for those people who during the past two years have subscribed to our loans. Secondly, several of the Provincial Governments will themselves be entering the market, one of them at all events to a very substantial extent. Altogether, if we look ahead for the next few years, we have to remember that our essential capital liabilities, namely, the provision of an adequate railway programme and the repayment of our short-term bonds, represent a total sum which will strain our borrowing capacity to the utmost, and every serious thinker will I believe agree that to rely to any substantial extent on our annual borrowings to finance large revenue deficits and to provide us with funds for carrying on the ordinary day to day administration is out of the question.

Unsafe to rely on larger borrowings.

35. So far I have dealt with our ways and means position taking our balances in India and England together. It is now necessary, however, that I should give some explanation of the position at our Home Treasury, for, as the House will see, this is likely to have an important bearing upon our general currency and exchange arrangements. In normal times the usual procedure for keeping the Home Treasury in funds is for the Secretary of State to sell Council Bills upon India. No Council Bills have however been sold since 1919, the reason being that there has been no trade demand for them, while the Secretary of State has been able to keep himself in funds by recoveries made by him from the Home Government in respect of expenditure incurred by us on their behalf in India and Mesopotamia, this operating, in effect, as a remittance from us to the Secretary of State. In one financial year, namely, 1918-19 our recoveries from the Home Government were no less than £9½ millions. Since then owing to the closing down of the Mesopotamian operations and the gradual disbandment of the additional troops that had been raised during the war for service overseas these recoveries have greatly diminished, and during the current year, we only expect the Secretary of State to recover about £25 millions, while during next year we do not expect that he will recover more than £9½ millions. His total liabilities, including the ordinary home charges, together with about £18½ millions on account of purchases in Europe of railway material and stock, are expected to amount to about £52¼ millions. There is therefore a substantial deficit in his resources. How is that to be supplied? I have already mentioned that he hopes to obtain about £17½ millions from sterling borrowings. Assuming that he will succeed in raising this large amount, there will still remain a gap of £18 millions, which will have to be covered by a transfer of funds from India to England. Now there are only two possible ways of making this remittance; the Secretary of State must draw on us, either through the sterling reserves or by the sale of Council Bills. It is necessary that I say a few words about each of these methods of remitting funds to him.

Problem of keeping the Secretary of State in funds.

Two possible methods.

36. As regards the former, namely, the transfer of our sterling reserves from England to India, there will be in England at the beginning of the financial year about £5¼ millions of the Paper Currency Reserve and £40 millions in the Gold Standard Reserve. Both of these are held mainly in the form of British Treasury Bills, which are readily convertible into cash. The Secretary of State can, therefore, to the extent of his requirements, draw on those reserves, provided of course (and the House will soon see that the proviso is an important one) that we earmark the necessary funds in India for credit to those reserves, the net result being a transfer of the reserves from England to India. In the case of the Paper Currency Reserve we should at this end cancel notes to an amount equivalent to the British Treasury Bills sold out by him, thus reducing the circulation to that extent. In the case of the Gold Standard Reserve we should have to earmark funds for credit to that reserve in India; we propose to do this by earmarking gold,

(1) By transfer of sterling reserves to India

Which will necessitate corresponding deflation in India.

i.e., we should transfer gold from the Paper Currency Reserve, which contains £24 millions, in sovereigns and gold bullion, to the Gold Standard Reserve. But here again, in order to be able to make this transfer, we should of course have to make equivalent payments to the Currency Reserve, and thus cancel notes to the necessary extent. So, whether the Secretary of State draws through the Paper Currency Reserve or through the Gold Standard Reserve, the net result is a cancellation of notes in this country. That is the operation generally known as "deflation", and I use the word for the reason that this is the actual effect of such drawings, and not because we consider that circumstances justify a policy of deflation on its own merits. But when one looks at this matter practically the question at once arises, whether we could in fact effect cancellation to the necessary extent. I must point out moreover that deflation in order to put the Secretary of State in funds does not represent the whole of the cancellation necessary, seeing that under the Paper Currency Act we are bound to apply the interest on our Paper Currency Reserve investments to the cancellation of notes issued against our *ad hoc* securities in India, and further, we have also undertaken to apply to the same purpose any excess in the Gold Standard Reserve over and above the figure of £10 millions. The deflation in respect of these two items will amount next year to about 6 crores, and when added to the deflation necessary on our present estimates to put the Secretary of State in funds, represent a total sum of 33 crores. I have only to mention this amount for the House to judge of the practicability of cancelling 33 crores of notes out of a total circulation of about 1,70 crores. I need not elaborate this point, for it is one which all bankers and financiers, and indeed most business men will at once appreciate. Every crore of notes cancelled by us means a withdrawal of a crore of notes from the money markets, with a proportionate tightening of money. By cancelling notes at judiciously chosen opportunities we hope to be able to provide some portion of the Secretary of State's requirements in the coming year in this manner; and of course deflation, if carried out with caution and with due regard to the legitimate needs of trade, has, as the economists tell us, a valuable effect in reducing the general level of internal prices. But, as recent experience in other countries has shown, there is an obvious limit to which we can or should go in this direction, and we recognise fully the responsibility on us not to go too far, or to produce such a sudden or rapid stringency as might lead to a dangerously acute position.

Danger of attempting too much deflation.

(2) By sale of Council Bills.

37. If the House has followed me in my remarks regarding the possibilities of deflation, it will be clear to it that to the extent to which our deflation falls short of the amount which we at present estimate as necessary to keep the Secretary of State in funds, it will be necessary for him to sell Council Bills. We have not entered any figure in the estimates for a remittance through Council Bills, and have for the present shown the whole remittance as effected through the sterling reserves, but of course we hold ourselves free, should circumstances require and the state of the exchange market permit, to make remittances by Councils. Further, the facts and figures which I have given to the House must dispose of any apprehension that the business community in India may still feel as regards the Secretary of State's unlimited powers to force up exchange to the two shilling level.

The finances of the provinces.

38. Now that the provincial Governments have almost complete financial autonomy, it would ordinarily be unnecessary for me to make any reference to their financial operations. What I have already said, however, regarding the difficulties in which the provinces now find themselves, and their effect upon our general ways and means operations, makes it desirable that I should make a few observations on the all-India position. A few facts will suffice to show the general position in the provinces. At the beginning of the current year the total provincial balances were 16.16 crores, while at the end of next year the aggregate balances are expected to be only 5½ crores, even after allowing both for the various loans which several provincial Governments have raised or will have raised, during the two years, and also for the proceeds of extra taxation which several provinces are imposing for their own purposes. Further, there is not a single province which, according

Exhaustion of provincial balances.

to our present information, is not budgeting for a deficit next year. I am not in a position to give full figures, because several provincial budgets have not yet been presented, but the House may take it as reasonably correct when I say that, taking the provinces as a whole, their expenditure next year (omitting of course expenditure of a capital nature which will be defrayed from loan funds) will exceed their revenues by an amount of about 8 crores. Several of the provinces will by the end of the current year have already exhausted the balances which we keep for them as their bankers, and at least one of the major provinces will have to take a substantial advance from us merely in order to carry on. The position of the Central Government's own finances, as I have endeavoured to explain to the House this morning, shows that there can be no question of our attempting to reduce the provincial contributions of $9\frac{1}{4}$ crores in the immediate future. To do so would merely increase our own uncovered deficit, and the net result would be exactly the same whichever course we adopted, for, whether the all-India deficit be regarded as completely central, or partly central and partly provincial, it will have to be financed mainly on the credit of the Central Government. The problem, therefore, is really an all-India one. The great difficulties in which most of the provinces find themselves have led in many cases to requests in non-official quarters that what is known as the Meston Settlement should be revised. I am not quite sure how far such requests are put forward with the object of obtaining a different distribution of the total contributions between the provinces, or merely represent requests for the acceleration of the abolition of the contributions. I must, however, point out that any attempt to wipe the Meston Settlement off the slate might have a very different result from what is sometimes anticipated. Lord Meston's Committee worked on our assumption that the deficit of the Central Government at the initiation of the Reforms, to be made good from contributions from the Provinces, would be 9,83 lakhs. Now, that figure was arrived at upon various assumptions, two of which were of great importance. The first was the 2 shilling rate of exchange; the second a military budget of 43 crores. The non-realisation of the first assumption means, on the present figures of our Home charges, a difference to us of no less than $15\frac{1}{2}$ crores a year. As for the military budget, although the strength of the Army is not greater (it is indeed somewhat less) than the pre-war strength, the cost is some 20 crores higher than the 43 crores we assumed. I would ask, therefore, those who desire to see that settlement upset, to consider whether an impartial committee, now arriving in India to effect a new settlement, might not take a very different view as to the amount of the contributions necessary from the provinces in order to enable the Central Government to discharge its fundamental duty of securing the country's defence, maintaining internal peace, and the service of the national debt.

Problem an all-India one.

Falsification of assumptions upon which present contributions are based.

39. Knowing, however, the difficulties which each Local Government has to face, we consider that the time has come when it is desirable for us to discuss the whole position with them, in order that we may exchange ideas and learn something of each other's difficulties. We propose, therefore, as soon as convenient, to invite the financial officials of each Local Government to a conference, in order to discuss the general position as regards the contributions, and at the same time to take the opportunity of examining the problems which each province has to face in the matter of financing capital outlay on irrigation and other schemes for which the provinces are now responsible.

CONCLUSION.

40. And now, Sir, I can conclude my task. For us, for the Provincial Governments, for the country at large the year has been a difficult and disappointing one; nor is there yet any clear promise of an early lifting of the clouds which veil the horizon of our finances. We can only address ourselves with what determination we can command to the task of finding a solution for the urgent problems which immediately confront us. One fact, I think, stands out in prominence; the overwhelming importance to India's trade and exchange of world factors over which we have no control. Any attempt to devise remedies as if India were a separate entity, divorced from world conditions, would be doomed to failure. A second fact is also clear; that the world at large, and we also with other countries, have underestimated the period of convalescence necessary for recovery from the maladies of the war. I need not

labour the point, for wherever you look, whether towards Central Europe, or to the United Kingdom, or even to America, it is now clear that the problems are so stupendous that recovery cannot be other than slow. But the conclusion seems to me equally clear. If our troubles are due to world causes, we must move in line with the best thinkers of the outside world in seeking the remedy ; and the one solution which they can indicate for the difficulties in which State finance now everywhere finds itself, is the deliberate attempt at any cost and at any inconvenience to make revenue meet expenditure. India's financial credit has stood high with the world in the past ; if she is to maintain this, and if she is to make good what is of equal importance, her political credit with the world, she cannot afford to falter in applying the obvious and inevitable remedy which the situation demands.

W. M. HAILEY.

The 1st March 1922.

BUDGET

OF THE

GOVERNMENT OF INDIA,

MARCH 1922.

PART I.

ACCOUNTS	1920-21
REVISED ESTIMATES	1921-22
BUDGET ESTIMATES	1922-23

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NOTE.—In these statements a pound sterling has been taken as the equivalent of ten rupees. Had this rate of exchange been realised the sterling equivalent of any rupee figure would have been found by dividing it by ten. The average rate of exchange (*i.e.*, the average of the daily telegraphic transfer rates from Calcutta on London)

1920-21 R11.6183
during the year 1921-22, however, being $\frac{\text{R15.0466 (estimated)}}{\text{R15 (estimated)}}$ per £, the sterling equivalent of the total figure
1922-23
against any head will work out as follows :—

- (1) Indian rupee figure divided by the average rate *plus*
- (2) English sterling figure, *i.e.*, the rupee figure shown in the column "England" divided by ten.

2. The above formula will not apply in cases where an adjustment on account of exchange on the English expenditure is made on the Indian books. This adjustment consists in $\frac{\text{adding to}}{\text{subtracting from}}$ (in case of $\frac{\text{loss}}{\text{gain}}$ by exchange) the Indian rupee expenditure figures, the difference between the average and the conventional rate of £1=R10 on the *net* English expenditure. The effect of this adjustment is practically to convert the English sterling figure into rupees at an average instead of at the conventional rate of exchange. The sterling equivalent in such cases, therefore, will be obtained by dividing the total Indian and English rupee figure by the average rate given above. This formula will apply to—

- (i) All figures against the commercial heads of Railways, Irrigation, and Posts and Telegraphs and the head New Capital at Delhi on the expenditure side,
- (ii) The total expenditure figure.

I.—General Statement of the Revenue and Expenditure charged to

	For details, <i>vide</i> State- ment.	(a) Accounts, 1920-1921.	Budget Estimate, 1921-1922.	Revised Estimate, 1921-1922.	Budget Estimate, 1922-23.
		₹	₹	₹	₹
Revenue—					
Principal Heads of Revenue—					
Customs	A.	30,97,67,469	37,73,28,000	34,35,14,000	51,32,84,000
Taxes on Income	"	20,91,74,432	18,58,07,000	17,69,13,000	22,11,39,000
Salt	"	6,18,79,813	7,00,66,000	6,41,62,000	11,36,03,000
Opium	"	3,53,40,611	3,72,85,000	3,03,24,000	3,09,30,000
Other Heads	"	2,25,26,119	2,44,80,000	2,20,46,000	2,35,85,000
TOTAL PRINCIPAL HEADS		63,86,88,444	69,49,66,000	63,69,59,000	90,25,41,000
Railways: Net Receipts	"	25,01,61,164	27,25,63,000	16,88,77,000	30,85,94,000
Irrigation: Net Receipts	"	2,91,582	4,24,000	7,15,000	7,22,000
Posts and Telegraphs: Net Receipts	"	1,52,39,627	(b) 2,08,74,000	37,72,000	1,65,28,000
Interest Receipts	"	3,69,16,065	(c) 3,49,09,000	1,04,66,000	84,31,000
Civil Administration	"	73,19,336	76,35,000	72,14,000	86,49,000
Currency, Mint and Exchange	"	2,88,22,548	49,73,000	16,86,000	21,75,000
Civil Works	"	11,33,258	10,88,000	11,46,000	10,92,000
Miscellaneous	"	2,60,28,901	7,52,76,000	6,85,31,000	66,11,000
Military Receipts	"	6,47,86,936	4,11,10,000	6,53,82,000	4,84,36,000
Contributions and Assignments to the Central Government by Provincial Governments	"	9,83,00,000	12,93,75,000	12,99,16,000	9,20,65,000
TOTAL REVENUE		1,16,76,82,861	1,28,31,43,000	1,08,96,64,000	1,39,58,44,000
DEFICIT		32,33,13,220	...	33,01,45,000	2,71,56,000
TOTAL		1,49,09,96,081	1,28,31,43,000	1,41,98,09,000	1,42,30,00,000

(a) The figures of revenue and expenditure shown in the column "Accounts, 1920-21" in Part I represent the revenue and expenditure of the Central Government as recast for facility of comparison in accordance with the present division of subjects between the Central and Provincial Governments. A separate set of statements giving the figures as they appear in the Accounts for that year is appended in Part II.

(b) Includes ₹50 lakhs for difference on account of exchange on sterling money order which, in the Revised Estimate for 1921-22 and the Budget Estimate for 1922-23, is shown under the suspense head for Exchange outside the revenue account.

(c) The interest recovered from Provincial Governments on the Provincial loan account and in respect of irrigation capital outlay and loans to Provincial Governments is shown under the receipt head in the Budget Estimate for 1921-22, but appears as a deduction from expenditure in the Revised Estimate for 1921-22 and Budget for 1922-23.

DELHI,
FINANCE DEPARTMENT,
March 1, 1922.

Revenue of the Central Government, in India and in England.

	For details, <i>vide</i> State- ment.	(a) Accounts, 1920-1921.	Budget Estimate, 1921-1922.	Revised Estimate, 1921-1922.	Budget Estimate, 1922-1923.
		₹	₹	₹	₹
Expenditure—					
Direct Demands on the Revenues	B.	4,13,73,251	4,93,51,000	5,06,31,000	5,69,90,000
Railways : Interest and Miscellaneous Charges	„	19,37,51,901	23,17,13,000	24,40,54,000	25,98,53,000
Irrigation	„	11,88,202	11,84,000	13,51,000	11,19,000
Posts and Telegraphs	„	1,34,56,370	98,02,000	1,37,62,000	97,32,000
Debt Services	„	15,20,43,631	13,08,61,000	13,77,34,000	15,20,09,000
Civil Administration	„	9,36,51,408	8,43,18,000	8,95,66,000	10,01,45,000
Currency, Mint and Exchange	„	4,33,49,239	4,18,80,000	9,92,81,000	10,83,22,000
Civil Works	„	1,95,56,710	1,51,03,000	1,52,77,000	1,69,54,000
Miscellaneous	„	4,39,77,117	4,24,37,000	4,50,00,000	4,13,11,000
Military Services	„	68,23,24,252	66,31,10,000	71,55,15,000	67,02,36,000
Miscellaneous adjustments between the Central and Provincial Governments.	„	63,24,000	62,84,000	76,38,000	63,29,000
TOTAL EXPENDITURE CHARGED TO REVENUE		1,49,09,96,081	1,27,60,43,000	1,41,98,09,000	1,42,30,00,000
SURPLUS . . . . .		...	71,00,000	...	...
TOTAL		1,49,09,96,081	1,28,31,43,000	1,41,98,09,000	1,42,30,00,000

A. C. McWATTERS,
Controller of the Currency.

E. M. COOK,
Secretary to the Government of India.

II.—General Statement of the Receipts and Disbursements of the

	For details, vide State- ment.	RECEIPTS.			
		Accounts, 1920-21.	Budget Estimate, 1921-22.	Revised Estimate, 1921-22.	Budget Estimate, 1922-23.
		₹	₹	₹	₹
Surplus	C	...	71,00,000	...	...
Railway Capital not charged to Revenue—					
Capital contributed by Railway Companies and Indian States towards construction of State Railways.	"	...	3,99,34,000	64,65,000	3,86,74,000
Debt, Deposits and Advances—					
Permanent Debt (net incurred)	"	28,30,14,560	17,87,93,000	24,66,08,000	40,46,93,000
Temporary Debt (net incurred)	"	24,03,92,938	...	14,55,16,000	...
Unfunded Debt (net incurred)	"	2,90,60,125	4,14,68,000	4,44,75,000	3,07,15,000
Deposits and Advances (net)	"	...	14,15,65,000	17,98,25,000	27,61,27,000
Loans and Advances by Central Government (net Repayments)	"	12,75,376	18,23,000	...	9,74,000
Loans and Advances by Provincial Governments	"	2,27,057	...	...	...
Remittances (net)	"	15,29,349	7,50,34,000	6,63,65,000	85,73,000
Secretary of State's Bills drawn . . . . .	"	...	...	...	...
Sterling Transfers on London drawn	"	30,98,80,000	...	...	...
Balances of Provincial Governments (net)	"	86,68,098	...	...	...
TOTAL DEBT, DEPOSITS AND ADVANCES . . . . .	...	87,40,48,003	43,86,81,000	68,22,89,000	71,60,82,00
TOTAL RECEIPTS . . . . .	...	87,40,48,003	43,87,15,000	68,87,54,000	75,47,56,00
Opening Balance—India . . . . .	...	26,47,59,962	16,37,18,962	13,83,56,901	11,88,74,90
England . . . . .	...	11,99,73,931	6,00,18,930	7,20,98,319	7,00,27,31
TOTAL . . . . .	...	1,25,87,81,896	70,94,52,892	89,92,09,220	94,36,58,2

M. F. GAUNTLETT,
Auditor General.

DELHI,
FINANCE DEPARTMENT,
March 1, 1922.

Central Government, in India and in England.

	For details, <i>vide</i> State- ment.	DISBURSEMENTS.			
		Accounts, 1920-21.	Budget Estimate, 1921-22.	Revised Estimate, 1921-22.	Budget Estimate, 1922-23.
		₹	₹	₹	₹
Deficit carried forward from Statement I in Part I . . .	C	26,00,85,276	...	33,01,45,000	2,71,56,000
Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue—					
Construction of State Railways	C	25,88,88,911	17,81,56,000	23,01,44,000	30,00,00,000
Capital outlay on Indian Postal and Telegraph Department . .	"	...	1,00,00,000	1,28,06,000	1,45,00,000
Construction of Irrigation Works	"	66,83,195	3,14,000	6,20,000	2,69,000
Initial expenditure on new Capital at Delhi	"	1,25,75,011	1,06,89,000	1,40,10,000	2,00,00,000
Payments for discharge of Debentures (net)	"	57,16,214	3,99,34,000	5,00,000	3,60,49,000
TOTAL CAPITAL ACCOUNT DISBURSEMENTS . . . . .	...	28,38,63,331	23,90,93,000	25,80,80,000	37,08,18,000
Debt, Deposits and Advances—					
Permanent Debt (net discharged) . . . . .	"	...	...	...	...
Temporary Debt (net discharged)	"	...	20,41,69,000	...	26,87,46,000
Deposits and Advances (net)	"	18,66,08,069	...	...	...
Loans and Advances by Central Government (net Advances)	"	...	...	2,72,000	...
Loans between Central and Provincial Governments (net Advances).	"	...	1,19,56,000	5,92,00,000	5,50,00,000
Remittances (net) . . . . .	"	...	...	...	...
Secretary of State's Bills paid . . . . .	"	...	...	...	...
Sterling Transfers on London paid	"	31,77,70,000	...	...	...
Balances of Provincial Governments (net)	"	...	5,71,41,000	6,26,10,000	4,35,60,000
TOTAL DEBT, DEPOSITS AND ADVANCES . . . . .	...	50,43,78,069	27,32,66,000	12,20,82,000	36,73,06,000
TOTAL DISBURSEMENTS . . . . .	...	1,04,83,26,676	51,23,59,000	71,03,07,000	76,52,80,000
Closing Balance—India . . . . .	...	13,33,56,901	15,06,25,962	11,88,74,901	13,77,67,901
England . . . . .	...	7,20,98,319	4,64,67,980	7,00,27,319	4,06,10,319
TOTAL . . . . .	...	1,25,87,81,896	70,94,52,892	89,92,09,220	94,36,58,220

A. C. McWATTERS,
Controller of the Currency.

E. M. COOK,
Secretary to the Government of India.

A.—Statement of the Revenue of the

HEADS OF REVENUE.	ACCOUNTS, 1920-21.			REVISED ESTIMATE,	
	India.	England.	TOTAL.	India.	England.
	R	R	R	R	R
Principal Heads of Revenue—					
I.—Customs	30,97,67,469	...	30,97,67,469	34,35,14,000	...
II.—Taxes on Income	20,91,74,432	...	20,91,74,432	17,69,13,000	...
III.—Salt	6,18,79,813	...	6,18,79,813	6,41,62,000	...
IV.—Opium	3,53,40,611	...	3,53,40,611	3,03,24,000	...
V.—Land Revenue	41,78,477	...	41,78,477	36,66,000	...
VI.—Excise	57,65,332	...	57,65,332	55,81,000	...
VII.—Stamps—					
A.—Non-judicial	23,69,767	...	23,69,767	10,08,000	...
B.—Judicial				14,19,000	...
VIII.—Forest	13,78,974	...	13,78,974	13,73,000	...
IX.—Registration	1,59,565	...	1,59,565	1,72,000	...
X.—Tributes from Indian States	86,74,004	...	86,74,004	88,27,000	...
TOTAL	63,86,88,444	...	63,86,88,444	63,69,59,000	...
Railways—					
XI.—State Railways—					
Gross Receipts	80,92,89,163	4,86,070	80,97,75,233	83,02,44,000	4,86,000
Deduct—Working Expenses	54,51,37,464	...	54,51,37,464	65,58,80,000	...
Surplus Profits paid to Companies	1,72,51,527	...	1,72,51,527	1,04,09,000	...
Net Receipts	24,69,00,172	4,86,070	24,73,86,242	16,09,55,000	4,86,000
XII.—Subsidised Companies	6,34,522	21,40,400	27,74,922	10,12,000	14,24,000
TOTAL	24,75,34,694	26,26,470	25,01,61,164	16,19,67,000	19,10,000
Irrigation, etc.—					
XIII.—Works for which Capital accounts are kept	3,21,208	—32,130	2,89,078	7,44,000	—83,000
XIV.—Works for which no Capital accounts are kept	2,504	...	2,504	4,000	...
TOTAL	3,23,712	—32,130	2,91,582	7,48,000	—83,000
Posts and Telegraphs—					
XV.—Gross Receipts	9,61,14,116	86,360	9,62,00,476	9,12,92,000	12,000
Deduct—Working Expenses	8,06,31,219	3,29,630	8,09,60,849	8,72,94,000	2,38,000
Net Receipts	1,54,82,897	—2,43,270	1,52,39,627	39,98,000	—2,26,000
Interest Receipts—					
XVI.—Interest	3,48,12,955	21,03,110	3,69,16,065	80,42,000	24,24,000
Carried over	93,68,42,702	44,54,180	94,12,96,882	81,17,14,000	40,75,000

(a) Of this amount R36,16,000 is non-voted and the balance of R55,52,64,000 is voted.

(b) Of this amount R34,60,000 is non-voted and the balance of R67,96,14,000 is voted.

(c) The whole of this amount is voted.

Central Government, in India and in England.

1921-22.	Increase (+) Decrease (-) as compared with Budget Estimate, 1921-22.	BUDGET ESTIMATE, 1922-23.			Increase (+) Decrease (-) of Budget, 1922-23, as compared with Budget, 1921-22.	Increase (+) Decrease (-) of Budget, 1922-23, as compared with Revised, 1921-22.
TOTAL.		India.	England.	TOTAL.		
R	R	R	R	R	R	R
34,35,14,000	-3,38,14,000	51,32,84,000	...	51,32,84,000	+13,59,56,000	+16,97,70,000
17,69,13,000	-88,94,000	22,11,39,000	...	22,11,39,000	+3,53,32,000	+4,42,26,000
6,41,62,000	-59,04,000	11,36,03,000	...	11,36,03,000	+4,35,37,000	+4,94,41,000
3,03,24,000	-69,61,000	3,09,30,000	...	3,09,30,000	-63,55,000	+6,06,000
36,66,000	-6,32,000	43,93,000	...	43,93,000	+95,000	+7,27,000
55,81,000	-1,55,000	56,22,000	...	56,22,000	-1,14,000	+41,000
10,08,000	-1,23,000	10,08,000	...	10,08,000	-1,23,000	...
14,19,000	-60,000	14,21,000	...	14,21,000	-58,000	+2,000
13,73,000	-16,14,000	21,68,000	...	21,68,000	-8,19,000	+7,95,000
1,72,000	+19,000	1,68,000	...	1,68,000	+15,000	-4,000
88,27,000	+1,31,000	88,05,000	...	88,05,000	+1,09,000	-22,000
63,69,59,000	-5,80,07,000	90,25,41,000	...	90,25,41,000	+20,75,75,000	+26,55,82,000
83,07,30,000	-3,98,53,000	99,52,42,000	4,84,000	99,57,26,000	+12,51,43,000	+16,49,96,000
^(a) 65,88,80,000	-7,19,88,000	68,30,74,000	...	^(b) 68,30,74,000	-9,61,32,000	-2,41,94,000
^(c) 1,04,09,000	+27,91,000	60,00,000	...	^(c) 60,00,000	+72,00,000	+44,09,000
16,14,41,000	-10,90,00,000	30,61,68,000	4,84,000	30,66,52,000	+3,62,11,000	+14,52,11,000
24,36,000	+3,14,000	8,12,000	11,30,000	19,42,000	-1,80,000	-4,94,000
16,38,77,000	-10,86,86,000	30,69,80,000	16,14,000	30,85,94,000	+3,60,81,000	+14,47,17,000
^(d) 7,11,000	+2,90,000	7,48,000	-30,000	^(e) 7,18,000	+2,97,000	+7,000
4,000	+1,000	4,000	...	4,000	+1,000	...
7,15,000	+2,91,000	7,52,000	-30,000	7,22,000	+2,98,000	+7,000
9,13,04,000	-1,81,80,000	11,12,29,000	3,25,000	11,15,54,000	+20,70,000	+2,02,50,000
^(f) 8,75,32,000	+10,78,000	9,45,36,000	4,90,000	^(g) 9,50,26,000	-64,16,000	-74,94,000
37,72,000	-1,71,02,000	1,66,93,000	-1,65,000	1,65,28,000	-48,48,000	+1,27,56,000
1,04,66,000	-2,44,48,000	81,28,000	3,03,000	84,31,000	-2,64,78,000	-20,35,000
81,57,89,000	-20,79,47,000	1,23,50,94,000	17,22,000	1,23,68,16,000	+21,30,80,000	+42,10,27,000

d) Represents net receipts after deduction of Rs12,81,000 on account of working expenses, of which Rs26,000 is non-voted and the balance of Rs12,55,000 is voted.

e) Represents net receipts after deduction of Rs12,87,000 on account of working expenses, of which Rs23,000 is non-voted and the balance of Rs12,64,000 is voted.

f) Of this amount, Rs16,39,000 is non-voted and the balance of Rs8,58,93,000 is voted.

g) Of this amount, Rs18,55,000 is non-voted and the balance of Rs9,31,71,000 is voted.

A.—Statement of the Revenue of the Central

HEADS OF REVENUE.	ACCOUNTS, 1920-21.			REVISED ESTIMATE,	
	India.	England.	TOTAL.	India.	England.
	₹	₹	₹	₹	₹
Brought forward	98,68,42,702	44,54,180	94,12,96,882	81,17,14,000	40,75,000
Civil Administration—					
XVII.—Administration of Justice	3,61,103	...	3,61,103	3,42,000	...
XVIII.—Jails and Convict Settlements	9,82,970	...	9,82,971	10,07,000	...
XIX.—Police	13,95,896	...	12,95,895	15,22,000	...
XX.—Ports and Pilotage	23,75,069	...	23,75,069	22,87,000	...
XXI.—Education	1,11,879	...	1,11,879	1,15,000	...
XXII.—Medical	48,429	1,560	49,989	54,000	2,000
XXIII.—Public Health	5,38,767	...	5,38,767	3,07,000	...
XXIV.—Agriculture	5,29,913	...	5,29,913	5,27,000	...
XXV.—Industries	24,110	...	24,110	1,50,000	...
XXVI.—Miscellaneous Departments	10,49,640	...	10,49,640	9,01,000	...
TOTAL	73,17,776	1,560	73,19,336	72,12,000	2,000
Currency, Mint and Exchange—					
XXVII.—Currency	90,54,144	1,24,20,320	2,14,74,464	2,63,000	...
XXVIII.—Mint	73,46,634	1,450	73,48,084	14,21,000	2,000
XXIX.—Exchange . . . . .	...	...	...	...	...
TOTAL	1,64,00,778	1,24,21,770	2,88,22,548	16,84,000	2,000
Civil Works—					
XXX.—Civil works	11,33,258	...	11,33,258	11,46,000	...
Miscellaneous—					
XXXIII.—Receipts in aid of Superannuation	14,31,251	4,09,200	18,40,451	20,04,000	3,93,000
XXXIV.—Stationery and Printing	9,24,157	22,000	9,46,157	9,16,000	17,000
XXXV.—Miscellaneous	1,69,13,823	63,23,470	2,32,37,293	5,87,83,000	64,18,000
TOTAL	1,92,69,231	67,54,670	2,60,23,901	6,17,03,000	68,28,000
Military Receipts—					
XXXVI.—Army—					
Effective	5,07,93,339	31,54,950	5,39,48,289	4,31,34,000	1,27,68,000
Non-effective	7,91,705	4,93,710	11,95,415	9,28,000	28,60,000
	5,14,95,044	36,48,660	5,51,43,704	4,40,67,000	1,51,28,000
XXXVII.—Marine	79,56,768	...	79,56,768	46,67,000	...
XXXVIII.—Military Works	16,86,464	...	16,86,464	15,30,000	...
TOTAL	6,11,38,276	36,48,660	6,47,86,936	5,02,64,000	1,51,28,000
Contributions and Assignments to the Central Government by Provincial Governments—					
XXXIX.—Contributions and Assignments to the Central Government by Provincial Governments	9,83,00,000	...	9,83,00,000	12,80,86,000	...
XL.—Miscellaneous adjustments between the Central and Provincial Governments . . . . .	...	...	...	18,50,000	...
TOTAL	9,83,00,000	...	9,83,00,000	12,99,36,000	...
TOTAL REVENUE	1,14,04,02,021	2,72,80,840	1,16,76,82,861	1,06,36,29,000	2,60,85,000

Government, in India and in England—continued.

1921-22.	Increase (+) Decrease (-) as compared with Budget Estimate, 1921-22.	BUDGET ESTIMATE, 1922-23.			Increase (+) Decrease (-) of Budget, 1922-23, as compared with Budget, 1921-22.	Increase (+) Decrease (-) of Budget, 1922-23, as compared with Revised, 1921-22.
TOTAL.		India.	England.	TOTAL.		
₹	₹	₹	₹	₹	₹	₹
81,57,89,000	-20,79,47,000	1,23,50,94,000	17,22,000	1,23,68,16,000	+21,80,80,000	+42,10,27,000
3,42,000	-43,000	3,49,000	...	3,49,000	-36,000	+7,000
10,07,000	-83,000	11,11,000	...	11,11,000	+21,000	+1,04,000
15,22,000	+2,38,000	13,63,000	...	13,63,000	+79,000	-1,59,000
22,87,000	-56,000	24,41,000	...	24,21,000	+78,000	+1,34,000
1,15,000	+3,000	1,17,000	...	1,17,000	+5,000	+2,000
56,000	+26,000	48,000	2,000	50,000	+20,000	-6,000
3,07,000	-2,90,000	3,07,000	...	3,07,000	-2,90,000	...
5,27,000	+1,52,000	6,80,000	...	6,80,000	+3,05,000	+1,53,000
1,56,000	-2,50,000	2,00,000	...	2,00,000	-2,00,000	+50,000
9,01,000	-1,18,000	20,51,000	...	20,51,000	+10,82,000	+11,50,000
72,14,000	-4,21,000	86,47,000	2,000	86,49,000	+10,14,000	+14,35,000
2,63,000	+49,000	2,57,000	...	2,57,000	+43,000	-6,000
14,23,000	-33,36,000	19,16,000	2,000	19,18,000	-28,41,000	+4,95,000
...
16,86,000	-32,87,000	21,73,000	2,000	21,75,000	-27,98,000	+4,89,000
11,46,000	+1,08,000	10,92,000	...	10,92,000	+54,000	-54,000
23,97,000	+6,37,000	19,02,000	3,99,000	23,01,000	+5,41,000	-98,000
9,33,000	+44,000	17,24,000	17,000	17,41,000	+8,52,000	+8,08,000
6,52,01,000	-74,26,000	17,83,000	7,86,000	25,69,000	-7,00,58,000	-6,26,32,000
6,85,31,000	-67,45,000	54,09,000	12,02,000	66,11,000	-6,86,65,000	-6,19,20,000
5,59,02,000	+1,91,10,000	3,94,88,000	31,90,000	4,26,78,000	+58,86,000	-1,32,24,000
32,83,000	+19,08,000	9,00,000	18,05,000	22,05,000	+8,30,000	-10,78,000
5,91,85,000	+2,10,18,000	4,03,88,000	44,95,000	4,48,83,000	+67,16,000	-1,43,02,000
46,67,000	+32,54,000	20,23,000	...	20,23,000	+6,10,000	-26,44,000
15,30,000	...	15,30,000	...	15,30,000	...	...
6,53,82,000	+2,42,72,000	4,39,41,000	44,95,000	4,84,36,000	+73,26,000	-1,39,46,000
12,80,86,000	-12,71,000	9,20,00,000	...	9,20,00,000	-8,73,57,000	-3,60,86,000
18,30,000	+18,12,000	65,000	...	65,000	+47,000	-17,65,000
12,99,16,000	+5,41,000	9,20,65,000	...	9,20,65,000	-8,73,10,000	-3,78,51,000
1,08,96,64,000	-19,34,79,000	1,38,84,21,000	74,28,000	1,39,58,44,000	+11,27,01,000	+30,61,50,000

B.—Statement of the Expenditure charged to the Revenues

HEADS OF EXPENDITURE.	ACCOUNTS, 1920-21.			REVISED ESTIMATE,		
	India.	England.	TOTAL.	India.	England.	TOTAL.
	R	R	R	R	R	R
Direct Demands on the Revenues—						
1.—Customs	58,76,144	76,960	59,53,104	68,78,000	1,10,000	69,88,000
2.—Taxes on income	21,86,350	19,720	22,06,070	21,12,000	27,000	21,39,000
3.—Salt	1,31,45,931	61,840	1,32,07,771	1,58,40,000	81,000	1,59,21,000
4.—Opium	1,23,04,636	70,550	1,23,75,186	1,86,76,000	65,000	1,87,41,000
5.—Land Revenue	20,83,485	7,830	20,91,315	14,83,000	21,000	15,04,000
6.—Excise	2,47,969	8,600	2,56,569	2,48,000	4,000	2,52,000
7.—Stamps—						
A.—Non-judicial	—13,69,430	24,65,850	10,97,420	—31,56,000	35,90,000	4,34,000
B.—Judicial	2,57,365	...	2,57,365	2,70,000	...	2,70,000
8.—Forests	30,31,989	8,47,000	38,78,989	36,79,000	6,56,000	43,35,000
9.—Registration	49,462	...	49,462	47,000	...	47,000
TOTAL	3,78,14,901	35,58,350	4,13,73,251	4,60,77,000	45,54,000	5,06,31,000
Railway Revenue Account—						
10.—State Railways:						
Interest on Debt	9,41,54,057	3,77,48,700	13,19,02,757	11,18,38,000	4,09,46,000	15,27,84,000
Interest on Capital contributed by Companies	36,49,216	2,11,50,800	2,48,00,016	1,16,49,000	2,16,80,000	3,33,29,000
Annuities in purchase of Railways	54,33,346	3,35,73,960	3,90,07,306	1,70,29,000	3,35,71,000	5,06,00,000
Sinking Funds	4,38,526	27,09,770	31,48,296	14,51,000	28,74,000	43,25,000
11.—Subsidised Companies	5,09,993	...	5,09,993	7,41,000	...	7,41,000
12.—Miscellaneous Railway Expenditure	—70,05,547	13,89,080	—56,16,467	4,91,000	17,84,000	22,75,000
TOTAL	9,71,79,591	9,65,72,810	19,37,51,901	14,31,99,000	10,08,55,000	24,40,54,000
Irrigation, etc., Revenue Account—						
14.—Works for which Capital accounts are kept—						
Interest on Debt	9,33,593	51,000	9,84,593	9,39,000	...	9,39,000
15.—Other Revenue Expenditure	1,27,834	...	1,27,834	1,65,000	...	1,65,000
TOTAL	10,61,427	51,000	11,12,427	11,04,000	...	11,04,000
Irrigation, etc., Capital Account (charged to Revenue)—						
16.—Construction of Irrigation, etc., Works—						
Financed from Ordinary Revenues	75,775	...	75,775	65,000	1,32,000	2,47,000
Posts and Telegraphs Revenue Account—						
17.—Posts and Telegraphs—						
Interest on Debt . . . . .	...	...	...	60,00,000	...	60,00,000
Miscellaneous Expenditure	49,46,296	79,56,980	1,29,03,276	—11,94,000	85,65,000	73,71,000
TOTAL	49,46,296	79,56,980	1,29,03,276	48,06,000	85,65,000	1,33,71,000
Posts and Telegraphs Capital Account (charged to Revenue)—						
18.—Capital outlay on Posts and Telegraphs—						
Indo-European Telegraph Department	—31,576	5,84,670	5,53,094	1,86,000	2,05,000	3,91,000
Debt Services—						
19.—Interest on Ordinary Debt	17,88,14,392	6,61,56,260	24,49,70,652	18,45,50,000	7,23,95,000	25,69,45,000
Deduct—Amount chargeable to Railways	8,80,51,408	3,77,48,700	12,58,00,108	9,18,65,000	4,09,46,000	13,23,11,000
" Amount chargeable to Irrigation	9,25,348	51,000	9,76,348	9,39,000	...	9,39,000
" Amount chargeable to Posts and Telegraphs . . . . .	...	...	...	60,00,000	...	60,00,000
" Amount chargeable to Provincial Governments . . . . .	...	...	...	2,65,32,000	...	2,65,32,000
Remainder chargeable to Ordinary Debt	8,98,37,636	2,83,56,560	11,81,94,196	5,97,14,000	3,14,49,000	9,11,63,000
20.—Interest on other Obligations	2,15,49,435	...	2,15,49,435	2,61,71,000	...	2,61,71,000
21.—Sinking Funds	73,00,000	50,00,000	1,23,00,000	1,54,00,000	50,00,000	2,04,00,000
TOTAL	11,86,87,071	3,33,56,560	15,20,43,631	10,12,85,000	8,64,49,000	18,77,34,000
Carried over	25,97,33,485	14,20,79,870	40,18,13,355	29,67,22,000	15,08,10,000	44,75,32,000

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23.

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of the Central Government, in India and in England.

1921-22.			BUDGET ESTIMATE, 1922-23.							
Increase (+) Decrease (-) as compared with Budget, 1921-22.	DISTRIBUTION OF TOTAL BETWEEN		India.	England.	TOTAL.	Increase (+) Decrease (-) as compared with Budget, 1921-22.	Increase (+) Decrease (-) as compared with Revised, 1921-22.	DISTRIBUTION OF TOTAL INTO VOTED AND NON- VOTED.		
	Voted.	Non-voted.						Included in Demands for grants.	Not sub- mitted to vote.	
R	R	R	R	R	R	R	R	R	R	
-1,77,000	62,94,000	6,94,000	70,59,000	1,09,000	71,68,000	+3,000	+1,80,000	64,37,000	7,31,000	
-8,96,000	19,49,000	1,90,000	48,26,000	66,000	48,92,000	+18,57,000	+27,53,000	45,52,000	3,40,000	
-10,000	1,21,36,000	37,85,000	1,74,29,000	71,000	1,75,00,000	+15,69,000	+15,79,000	1,35,05,000	39,95,000	
+34,87,000	1,85,72,000	1,69,000	1,87,56,000	65,000	1,88,21,000	+35,67,000	+80,000	1,86,54,000	1,67,000	
-7,38,000	14,12,000	92,000	15,42,000	20,000	15,62,000	-6,80,000	+58,000	14,65,000	97,000	
+8,000	1,79,000	73,000	2,83,000	1,000	2,84,000	+40,000	+32,000	2,08,000	76,000	
-7,51,000	7,04,000	...	-9,47,000	19,40,000	9,93,000	-1,92,000	+5,59,000	13,03,000	...	
-39,000			3,10,000	...	3,10,000	+1,000	+40,000			
+3,98,000			45,76,000	8,36,000	54,12,000	+14,75,000	+10,77,000			
-2,000	38,71,000	4,64,000	48,000	...	48,000	-1,000	+1,000	48,000	...	
+12,80,000	4,51,64,000	54,67,000	5,38,82,000	31,08,000	5,69,90,000	+76,39,000	+68,59,000	5,09,98,000	59,92,000	
-52,87,000	2,04,73,000	13,23,11,000	12,43,47,000	4,26,27,000	16,69,74,000	+89,03,000	+1,41,90,000	2,13,13,000	14,56,61,000	
+67,96,000	1,12,93,000	2,20,36,000	1,15,11,000	2,21,37,000	3,36,48,000	+71,15,000	+3,19,000	1,11,06,000	2,25,42,000	
+1,03,10,000	1,70,29,000	3,35,71,000	1,67,87,000	3,35,75,000	5,03,62,000	+1,00,72,000	-2,38,000	1,67,87,000	3,35,75,000	
+8,52,000	14,51,000	28,74,000	15,28,000	30,54,000	45,82,000	+11,09,000	+2,57,000	15,28,000	30,54,000	
+1,41,000	7,41,000	...	19,83,000	...	19,83,000	+13,83,000	+12,42,000	19,83,000	...	
-4,71,000	9,33,000	13,42,000	6,19,000	16,35,000	23,04,000	-4,42,000	+29,000	9,48,000	13,56,000	
+1,23,41,000	5,19,20,000	19,21,34,000	15,67,75,000	10,80,78,000	25,98,53,000	+2,81,40,000	+1,57,99,000	5,36,65,000	20,61,88,000	
-46,000	...	9,39,000	9,51,000	...	9,51,000	-34,000	+12,000	...	9,51,000	
+26,000	1,65,000	...	1,33,000	...	1,33,000	-6,000	-32,000	1,33,000	...	
-20,000	1,65,000	9,39,000	10,84,000	...	10,84,000	-40,000	-20,000	1,33,000	9,51,000	
+1,87,000	2,06,000	41,000	35,000	...	35,000	-25,000	-2,12,000	35,000	...	
+60,00,000	...	60,00,000	66,00,000	...	66,00,000	+66,00,000	+6,00,000	...	66,00,000	
+73,71,000	73,71,000	...	-31,84,000	63,45,000	31,61,000	+31,61,000	-42,10,000	31,61,000	...	
+1,38,71,000	73,71,000	60,00,000	34,16,000	63,45,000	97,61,000	+97,61,000	-36,10,000	31,61,000	66,00,000	
-94,11,000	3,91,000	...	-3,64,000	3,35,000	-29,000	-98,31,000	-4,20,000	-29,000	...	
+1,82,38,000	...	...	19,94,50,000	8,29,81,000	28,24,31,000	+4,37,24,000	+2,54,86,000	...	...
+1,80,27,000	...	...	10,30,34,000	4,26,27,000	14,56,61,000	+46,77,000	-1,33,50,000	...	...
+46,000	...	...	9,51,000	...	9,51,000	+84,000	-12,000	...	...
-60,00,000	...	...	66,00,000	...	66,00,000	-66,00,000	-6,00,000	...	...
-2,65,32,000	...	...	2,99,73,000	...	2,99,73,000	-2,99,73,000	-34,41,000	...	...
+37,79,000	...	9,11,63,000	5,38,92,000	4,03,54,000	9,92,46,000	+1,18,62,000	+80,83,000	...	9,92,46,000	
+30,94,000	2,61,71,000	...	3,23,63,000	...	3,23,63,000	+92,86,000	+61,92,000	3,23,63,000	...	
...	...	2,04,00,000	1,54,00,000	50,00,000	2,04,00,000	...	...	...	2,04,00,000
+68,73,000	2,61,71,000	11,15,63,000	10,66,55,000	4,53,54,000	15,20,09,000	+2,11,48,000	+1,42,75,000	3,23,63,000	11,96,46,000	
+26,21,000	13,13,88,000	31,61,44,000	32,14,83,000	15,82,20,000	47,97,03,000	+5,67,92,000	+3,21,71,000	14,08,26,000	33,93,77,000	

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23.

B.—Statement of the Expenditure charged to the Revenues

HEADS OF EXPENDITURE.	ACCOUNTS, 1920-21.			REVISED ESTIMATE,		
	India.	England.	TOTAL.	India.	England.	TOTAL.
	R	R	R	R	R	R
Brought forward	25,97,33,485	14,20,79,870	40,18,13,3 5	29,67,22,000	15,08,10,000	44,75,32,000
Civil Administration—						
22.—General Administration—						
A.—Heads of Provinces (including Governor General) and Executive Councils	20,13,620	...	20,13,620	20,10,000	...	20,10,000
B.—Legislative Bodies	1,84,813	...	1,84,813	7,60,000	...	7,00,000
C.—Secretariat and headquarters establishment	77,45,273	...	77,45,273	78,80,000	...	78,80,000
D.—Commissioners	...	...	...	...	...	...
E.—District Administration.	...	...	...	15,41,000	...	15,41,000
F.—Home Administration, etc.	...	62,82,490	62,82,490	...	45,94,000	45,94,000
23.—Audit	54,48,310	2,77,830	57,26,140	68,01,000	3,06,000	71,06,000
24.—Administration of Justice	14,84,803	20,360	15,05,163	8,57,000	48,000	9,05,000
25.—Jails and Convict Settlements	41,53,003	26,080	41,79,083	44,95,000	22,000	45,17,000
26.—Police	73,25,835	53,900	73,79,735	83,61,000	1,09,000	86,70,000
27.—Ports and Pilotage	19,71,176	1,82,400	21,53,576	22,17,000	1,81,000	23,98,000
28.—Ecclesiastical	25,34,735	2,63,930	27,98,665	26,82,000	2,86,000	29,68,000
29.—Political	3,33,07,498	9,80,370	3,42,87,868	1,98,87,000	10,72,000	2,09,59,000
30.—Scientific Departments	54,14,125	12,55,250	66,69,375	99,20,000	11,75,000	1,10,95,000
31.—Education	27,19,769	2,29,530	29,49,299	29,73,000	91,000	30,64,000
32.—Medical	19,03,254	53,830	19,57,084	24,04,000	2,81,000	26,85,000
33.—Public Health	25,45,400	11,360	25,56,760	15,33,000	54,000	15,87,000
34.—Agriculture	21,76,768	61,860	22,38,628	19,65,000	1,25,000	20,90,000
35.—Industries	5,34,605	46,830	5,81,235	3,13,000	83,000	3,96,000
36.—Aviation	3,18,258	...	3,18,258	1,81,000	2,000	1,83,000
37.—Miscellaneous Departments	20,95,473	28,870	21,24,343	40,83,000	1,85,000	42,68,000
TOTAL	8,38,76,718	97,74,690	9,36,51,408	8,10,02,000	85,64,000	8,95,66,000
Currency, Mint and Exchange—						
38.—Currency	36,50,620	47,72,770	84,23,390	29,26,000	42,01,000	71,27,000
39.—Mint	18,99,803	6,86,520	25,86,323	17,88,000	66,000	18,54,000
40.—Exchange	3,23,39,526	...	3,23,39,526	9,03,00,000	...	9,03,00,000
TOTAL	3,78,89,949	54,59,290	4,33,49,239	9,50,14,000	42,67,000	9,92,81,000
Civil Works—						
41.—Civil Works	1,92,97,880	2,58,830	1,95,56,710	1,48,54,000	4,23,000	1,52,77,000
Miscellaneous—						
43.—Famine Relief and Insurance—						
A.—Famine Relief	...	...	...	4,50,000	...	4,50,000
44.—Territorial and Political Pensions	27,34,064	1,07,030	28,41,094	28,95,000	1,16,000	30,11,000
45.—Superannuation Allowances and Pensions	24,31,633	2,07,96,960	2,32,28,593	29,91,000	2,13,16,000	2,43,07,000
46.—Stationery and Printing	59,17,435	19,98,520	79,15,955	63,04,000	23,09,000	86,13,000
47.—Miscellaneous	93,19,805	6,71,670	99,91,475	62,67,000	28,52,000	86,19,000
TOTAL	2,04,02,937	2,35,74,180	4,39,77,117	1,89,07,000	2,60,93,000	4,50,00,000
Military Services—						
48.—Army—						
Effective	67,88,98,151	7,78,32,370	75,62,30,521	50,15,64,000	8,36,12,000	58,51,76,000
Non-effective	2,47,11,966	3,18,61,450	5,66,73,416	3,13,66,000	3,35,95,000	6,49,61,000
49.—Marine	70,37,10,117	10,91,93,820	81,29,03,937	53,29,30,000	11,72,07,000	65,01,37,000
50.—Military Works	83,20,180	57,34,880	1,40,55,060	97,64,000	39,29,000	1,30,93,000
	5,40,92,695	12,72,560	5,53,65,255	5,09,80,000	13,05,000	5,22,85,000
TOTAL	76,61,22,992	11,62,01,260	88,23,24,252	59,30,74,000	12,24,41,000	71,55,15,000
Contributions and Assignments to the Central Government by Provincial Governments—						
52.—Miscellaneous adjustments between the Central and Provincial Governments	63,24,000	...	63,24,000	76,88,000	...	76,88,000
TOTAL EXPENDITURE CHARGED TO REVENUE	1,19,36,47,961	29,73,48,120	1,49,09,96,081	1,10,72,11,000	81,25,98,000	1,41,98,09,000

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23.

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of the Central Government in India and in England—continued.

1921-22.			BUDGET ESTIMATE, 1922-23.										
Increase (+) Decrease (—) as compared with Budget, 1921-22.	DISTRIBUTION OF TOTAL BETWEEN		India.	England.	TOTAL.	Increase (+) Decrease (—) as compared with Budget, 1921-22.	Increase (+) Decrease (—) as compared with Revised, 1921-22.	DISTRIBUTION OF TOTAL INTO VOTED AND NON-VOTED.					
	Voted.	Non-voted.						Included in Demands for grants.	Not submitted to vote.				
₹	₹	₹	₹	₹	₹	₹	₹	₹	₹				
+ 2,46,21,000	13,13,88,000	31,61,44,000	32,14,83,000	15,82,20,000	47,97,03,000	+ 5,67,92,000	+ 3,21,71,000	14,03,26,000	33,93,77,000				
—1,67,000 —85,000	1,07,43,000	59,82,000	20,49,000	...	20,49,000	—1,28,000	+ 39,000	1,20,11,000	59,68,000				
+ 4,56,000 —52,000 + 15,41,000 + 6,57,000 + 6,41,000 —5,97,000 + 7,06,000 + 8,06,000 —71,000 —1,37,000			8,50,000	...	8,50,000	+ 65,000	+ 1,50,000						
			85,75,000	...	85,75,000	+ 11,51,000	+ 6,95,000						
			...	...	...	—52,000	...			
			...	...	...	+ 18,14,000	+ 2,73,000			
			...	46,91,000	46,91,000	+ 7,54,000	+ 97,000						
			64,17,000	6,89,000	78,96,000	2,80,000	81,76,000			+ 17,11,000	+ 10,70,000	72,69,000	9,07,000
			6,68,000	2,37,000	9,49,000	53,000	10,02,000			—5,00,000	+ 97,000	7,47,000	2,55,000
			43,50,000	1,67,000	43,99,000	24,000	44,23,000			+ 6,12,000	—94,000	42,16,000	2,07,000
			80,20,000	6,50,000	89,49,000	1,29,000	90,78,000			+ 12,14,000	+ 4,03,000	83,36,000	7,42,000
			11,81,000	12,17,000	23,81,000	2,47,000	26,28,000			+ 1,59,000	+ 2,30,000	12,78,000	13,50,000
			...	29,85,000	29,60,000	2,82,000	32,42,000			+ 1,37,000	+ 2,74,000	...	32,42,000
—4,000			...	2,09,59,000	2,80,69,000	8,30,000	2,88,99,000			+ 79,36,000	+ 79,40,000	...	2,88,99,000
+ 27,48,000			92,89,000	18,06,000	1,01,78,000	8,25,000	1,10,03,000			+ 26,56,000	—92,000	89,06,000	20,97,000
—2,62,000	29,12,000	1,52,000	34,13,000	92,000	35,05,000	+ 1,79,000	+ 4,41,000	33,15,000	1,90,000				
—2,27,000	21,01,000	5,34,000	27,56,000	3,72,000	31,28,000	+ 2,66,000	+ 4,93,000	24,28,000	7,00,000				
+ 89,000	13,80,000	2,07,000	15,36,000	64,000	16,00,000	+ 1,02,000	+ 13,000	13,79,000	2,21,000				
+ 1,66,000	17,43,000	3,47,000	21,35,000	1,34,000	22,69,000	+ 3,45,000	+ 1,79,000	17,79,000	4,90,000				
—3,09,000	3,49,000	47,000	1,79,000	31,000	2,10,000	—4,95,000	—1,85,000	1,50,000	60,000				
+ 1,08,000	1,70,000	13,000	51,000	...	51,000	—24,000	—1,32,000	37,000	14,000				
—7,59,000	37,63,000	5,05,000	27,45,000	2,07,000	29,52,000	—20,75,000	—13,16,000	23,60,000	5,92,000				
+ 52,48,000	5,30,86,000	3,64,80,000	9,18,84,000	82,61,000	10,01,45,000	+ 1,58,27,000	+ 1,05,79,000	5,42,11,000	4,59,34,000				
+ 6,27,000 —6,72,000 + 5,74,46,000	69,65,000 16,76,000 9,03,00,000	1,62,000 1,78,000 ...	32,77,000 21,08,000 9,95,50,000	33,03,000 84,000 ...	65,80,000 21,92,000 9,95,50,000	+ 80,000 —3,34,000 + 6,66,96,000	—5,47,000 + 3,38,000 + 92,50,000	63,62,000 20,00,000 9,95,50,000	2,18,000 1,92,000 ...				
+ 5,74,01,000	9,89,41,000	3,40,000	10,49,35,000	33,87,000	10,83,22,000	+ 6,64,42,000	+ 90,41,000	10,79,12,000	4,10,000				
+ 1,74,000	1,50,47,000	2,30,000	1,65,77,000	3,77,000	1,69,54,000	+ 18,51,000	+ 16,77,000	1,67,49,000	2,05,000				
+ 4,80,000 + 22,000 + 3,74,000 + 16,04,000 + 1,88,000	4,50,000 ... 30,68,000 86,09,000 58,17,000	... 30,11,000 2,12,89,000 4,000 30,02,000	27,000 29,68,000 33,22,000 51,75,000 49,01,000	... 1,16,000 2,14,03,000 18,41,000 15,68,000	27,000 30,84,000 2,47,25,000 70,16,000 64,59,000	+ 7,000 + 95,000 + 7,92,000 + 7,000 —20,27,000	—4,23,000 + 78,000 + 4,18,000 —15,97,000 —21,60,000	27,000 ... 34,56,000 70,04,000 34,54,000	... 30,84,000 2,12,69,000 12,000 30,05,000				
+ 25,68,000	1,77,44,000	2,72,56,000	1,63,93,000	2,49,18,000	4,13,11,000	—11,26,000	—36,89,000	1,39,41,000	2,73,70,000				
+ 3,94,01,000 + 75,65,000	... ...	58,51,78,000 6,49,61,000	46,10,77,000 3,44,29,000	7,70,22,000 3,75,27,000	53,80,99,000 7,19,56,000	—76,76,000 + 1,45,80,000	—4,70,77,000 + 69,95,000	... ...	53,80,99,000 7,19,56,000		
+ 4,89,66,000 + 31,54,000 + 22,85,000	... ... ...	65,01,87,000 1,30,93,000 5,22,85,000	49,55,06,000 87,44,000 4,83,00,000	11,45,49,000 46,52,000 4,85,000	61,00,55,000 1,33,99,000 4,67,85,000	+ 68,84,000 + 34,57,000 —32,15,000	—4,00,82,000 + 8,08,000 —55,00,000	... ... ...	61,00,55,000 1,33,99,000 4,67,85,000		
+ 5,24,05,000	...	71,55,15,000	55,05,50,000	11,96,86,000	67,02,36,000	+ 71,26,000	—4,52,79,000	...	67,02,36,000				
+ 13,54,000	78,38,000	...	63,29,000	...	63,29,000	+ 45,000	—13,09,000	63,29,000	...				
+ 14,37,66,000	82,38,44,000	1,09,59,65,000	1,10,81,51,000	31,48,49,000	1,42,30,00,000	+ 14,69,57,000	+ 31,91,000	83,94,68,000	1,08,35,82,000				

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23.

C.—Statement of Receipts and Disbursements of the

	ACCOUNTS, 1920-21.			REVISED ESTIMATE, 1921-22.			BUDGET ESTIMATE, 1922-23.		
	India.	England.	TOTAL.	India.	Ind.	TOTAL.	India.	England.	TOTAL.
	R	R	R	R	R	R	R	R	R
Revenue (from Statement A in Part I for Revised and Budget and Part II for Accounts)	2,08,39,35,714	2,76,42,592	2,06,15,78,306	1,06,36,29,00	2,60,35,000	1,08,96,64,000	1,38,84,21,000	74,23,000	1,39,58,44,000
Excess of Revenue over Expenditure charged to Revenue			-26,00,85,276	...	.	-33,01,45,000	...	...	-2,71,56,000
Railway Capital not charged to Revenue— Capital contributed by Railway Companies and Indian States towards outlay on State Railways	...	...	...	19,65,000	45,00,000	64,65,000	8,75,000	3,77,99,000	3,86,74,000
Permanent Debt Incurred—									
<i>Sterling Debt—</i>								16,03,00,000	
New Sterling Loan	...	...	...	...	7,50,00,000	...	...	...	...
7 per cent. Stock	...	...	...	...	7,85,00,000	...	...	1,54,82,000	...
5½ per cent. Stock	...	...	...	...	...	...	25,00,00,000	...	...
<i>Rupee Debt—</i>									
New Rupee Loan	...	...	...	11,30,77,000	...	...	...	...	...
6 per cent. Bonds, 1931	29,35,34,700	...	...	-7,08,000	...	...	...	...	...
6 per cent. Bonds, 1930	6,763	...	...	...	...	...	...	...	...
5½ per cent. War Bonds, 1925	8,071	...	...	...	...	...	...	...	...
5½ per cent. War Bonds, 1928	...	...	...	12,000	...	...	...	...	...
5 per cent. War Loan, 1929-47	40,38,100	...	...	...	...	...	...	...	...
5 per cent. Loan, 1945-55	...	...	...	3,00,000	...	...	3,00,000	...	...
3½ per cent. Loans	...	...	...	...	...	...	...	...	...
TOTAL NET	29,75,82,634	...	29,75,82,634	11,26,81,000	15,35,00,000	26,61,81,000	25,03,00,000	17,57,82,000	42,60,82,000
			28,30,14,560			24,66,08,000			40,46,93,000
Temporary Debt Incurred—									
6 per cent. Bonds, 1926	...	...	...	37,89,47,000	...	...	...	...	...
5½ per cent. War Bonds, 1920	—230	...	...	...	...	...	...	...	...
5½ per cent. War Bonds, 1921	—1,892	...	...	...	...	...	...	...	...
5½ per cent. War Bonds, 1922	—1,200	...	...	...	...	...	...	...	...
5½ per cent. War Bonds, 1923	2,050	...	...	...	...	...	...	...	...
Treasury Bills—									
Issued to public	77,93,45,000	...	...	1,23,74,00,000	...	...	1,31,00,00,000	...	...
Issued to Paper Currency Reserve	61,26,00,000	...	...	59,27,00,000	...	...	39,13,54,000	...	...
Other Temporary Loans	3,00,00,000	...	...	15,00,00,000	...	...	...	...	...
TOTAL NET	1,42,19,43,728	...	1,42,19,43,728	2,35,90,47,000	...	2,35,90,47,000	1,70,13,54,000	...	1,70,13,54,000
			24,03,92,938			14,55,16,000			0
Unfunded Debt—									
Post Office Cash Certificates	52,09,056	...	...	48,34,000	...	...	1,00,00,000	...	...
Deposits of Service Funds	14,48,976	12,265	...	14,64,000	...	...	14,63,000	...	...
Savings Bank Deposits	23,63,46,998	...	...	26,06,06,000	...	...	25,07,71,000	...	...
TOTAL NET	24,30,05,030	12,265	24,30,17,295	26,69,04,000	...	26,69,04,000	26,22,34,000	...	26,22,34,000
			2,90,60,125			4,44,75,000			3,07,15,000
Deposits and Advances—									
Appropriation for reduction of debt	64,26,110	...	...	...	...	...	...	...	...
Deposits of Local Funds—									
District Funds	10,60,73,597	...	...	11,81,73,000	...	...	12,56,71,000	...	...
Other Funds	2,34,75,721	...	...	7,98,20,000	...	...	7,93,55,000	...	...
Deposits of Branch Lines Companies	6,39,262	...	...	14,55,000	...	...	24,30,000	...	...
Sinking Funds for Central Loans	73,00,000	...	...	1,54,00,000	...	...	1,54,00,000	...	...
Other Sinking Fund Deposits	2,89,166	...	...	8,01,000	...	...	3,13,000	...	...
Gold Standard Reserve	...	1,18,69,08,845	...	...	93,53,83,000	...	...	1,22,46,72,000	...
Paper Currency Reserve	...	1,05,86,73,113	...	7,05,00,000	37,00,43,000	...	15,00,00,000	5,84,87,000	...
Consols Depreciation Fund	...	35,20,191	...	...	...	...	...	...	...
Departmental and Judicial Deposits	87,44,05,035	...	...	74,20,88,000	...	...	71,34,05,000	...	...
Advances	17,67,55,787	2,13,59,544	...	19,59,88,000	2,46,01,000	...	17,70,15,000	83,06,000	...
Suspense Accounts	28,78,53,872	...	...	2,86,73,000	...	...	5,99,000	...	...
Exchange on Remittance Account	...	...	...	13,35,72,000	...	...	10,48,59,000	...	...
Miscellaneous	1,14,16,786	1,70,28,222	...	8,85,52,000	96,34,000	...	17,06,29,000	1,05,99,000	...
TOTAL NET	1,49,46,35,286	2,23,74,89,915	3,78,21,25,201	1,47,45,25,000	1,33,86,61,000	2,81,41,86,000	1,53,97,36,000	1,30,20,84,000	2,84,18,00,000
			0			17,98,25,000			27,61,27,000
Carried over	5,49,11,02,392	2,31,51,44,772		5,27,87,51,000	1,52,36,96,000		5,14,29,20,000	1,32,30,68,000	

Central Government, in India and in England.

	ACCOUNTS, 1920-21			REVISED ESTIMATE, 1921-22			BUDGET ESTIMATE, 1922-23		
	India	England	TOTAL	India	England	TOTAL	India	England	TOTAL
	R	R	R	R	R	R	R	R	R
Expenditure (from State ment B in Part I for Re vised and Budget and Part II for Accounts)	2,00,31,18,350	30,96,45,003	2,31,27,63,453	1,10,72,11,000	31,23,98,000	1,41,98,09,000	1,10,81,51,000	31,43,49,000	1,42,30,00,000
Add—Provincial Surplus transferred to 'Deposits'	7,66,34,510	...	7,66,34,510	...	...	...	...	...	...
Deduct—Provincial Defi- cits charged to "Deposits"	6,77,34,416	...	6,77,34,416	...	...	...	...	...	...
TOTAL	2,01,20,18,489	30,96,45,003	2,31,27,63,453	1,10,72,11,000	31,23,98,000	1,41,98,09,000	1,10,81,51,000	31,43,49,000	1,42,30,00,000
Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue— CONSTRUCTION OF STATE RAILWAYS	8,30,6,137	17,58,22,114	25,88,85,911	8,81,40,000	14,17,04,000	23,01,14,000	11,54,30,000	18,60,00,000	(a) 30,00,00,000
PAYMENTS FOR DIS- CHARGE OF DEBT—	7,90,214	19,05,000	57,16,214	...	5,00,000	5,00,000	...	3,60,49,000	3,60,49,000
CONSTRUCTION OF IRI- GATION WORKS . . .	65,32,832	1,50,363	66,83,195	3,35,000	2,55,000	6,20,000	2,69,000	...	(b) 6,00,000
CAPITAL OUTLAY ON INDIAN POSTAL AND TELEGRAPH DEPART- MENT . . .	...	...	...	1,38,06,000	...	1,28,06,000	1,45,00,000	...	(b) 1,45,00,000
INITIAL EXPENDITURE ON NEW CAPITAL AT DELHI	1,05,18,545	20,56,466	1,25,75,011	1,32,95,000	17,15,000	1,40,10,000	1,81,90,000	18,10,000	(c) 2,00,00,000
Permanent Debt Discharged—									
Rupee Debt—									
5 p c War Bonds, 1925	1,87,000	...	...	...	...	...	...	...	...
Do Do 1926	22,49,700	...	...	...	...	...	...	...	...
5 p c War Loan, 1929-47	10,91,900	...	...	64,86,000	...	...	1,14,41,000	...	...
5 p c Loan, 1940-55	67,49,100	...	...	1,15,13,000	...	...	53,90,000	...	...
4 p c Loans . . .	12,00,300	...	...	12,00,000	...	...	12,00,000	...	...
5 p c Loans . . .	6,174	...	...	24,000	...	...	8,000	...	...
3 p c Loans . . .	82,100	...	...	3,50,000	...	...	3,50,000	...	...
TOTAL	1,45,68,074	...	1,15,68,074	1,95,73,000	...	1,95,73,000	2,13,89,000	...	2,13,89,000
NET	...	...	...	...	...	...	...	...	...
Temporary Debt Discharged—									
5 p c War Bonds, 1920	18,50,11,040	...	...	45,00,000	...	...	10,00,000	...	...
Do Do 1921	9,31,83,550	...	...	15,10,00,000	...	...	20,00,000	...	...
Do Do 1922	4,70,825	...	...	3,06,31,000	...	...	7,50,00,000	...	...
Do Do 1923	4,775	...	...	...	...	...	...	...	...
Treasury Bills—									
Issued to public . . .	77,15,35,000	...	...	1,20,92,00,000	...	...	1,35,00,00,000	...	...
Do Paper Currency Reserve . . .	10,09,00,000	...	...	66,32,00,000	...	...	54,21,00,000	...	...
Other Temporary Loans .	3,00,00,000	...	...	10,00,00,000	...	...	...	...	...
TOTAL	1,18,15,50,490	...	1,18,15,50,490	2,21,35,31,000	...	2,21,35,31,000	1,97,01,00,000	...	1,07,01,00,000
NET	...	...	...	...	...	...	...	...	26,87,46,000
Unfunded Debt—									
Post Office Cash Certifi- cates . . .	1,40,61,657	...	...	91,78,000	...	...	3,00,00,000	...	...
Special Loans . . .	4,573	...	...	5,000	...	...	5,000	...	...
Deposits of Service Funds	15,00,419	5,601	...	17,08,000	...	...	16,00,000	...	...
Savings Bank Deposits .	19,71,81,117	...	...	21,17,38,000	...	...	19,99,14,000	...	...
TOTAL	21,39,51,506	5,604	21,39,57,170	22,24,29,000	...	22,24,29,000	23,15,19,000	...	3,15,10,000
NET	...	...	...	...	...	...	...	...	...
Deposits and Ad- vances—									
Deposits of Local Funds—									
District Funds . . .	10,92,81,502	...	...	12,77,36,000	...	...	12,96,20,000	...	...
Other Funds . . .	2,19,06,210	...	...	8,25,35,000	...	...	8,07,97,000	...	...
Deposit of Branch Line Companies . . .	9,04,272	...	...	14,96,000	...	...	24,98,000	...	...
Sinking Funds for Central Loans . . .	1,07,65,545	...	...	1,36,75,000	...	...	1,70,24,000	...	...
Gold Standard Reserve .	...	1,18,68,65,528	...	...	93,53,83,000	...	...	1,22,43,72,000	...
Paper Currency Reserve .	...	1,05,86,78,113	...	7,05,00,000	37,00,43,000	...	15,00,00,000	5,84,87,000	...
Consols Depreciation Fund	...	35,21,857	...	...	...	...	...	...	...
Adjustment of exchange on revaluation of Gold and Sterling Securities in Paper Currency Reserve .	17,47,36,516	...	...	...	...	...	...	...	...
Departmental and Judi- cial Deposits . . .	88,21,75,088	...	...	15,52,12,000	...	...	70,83,26,000	...	...
Advances . . .	19,26,41,592	3,17,18,961	...	21,51,54,000	2,31,20,000	...	17,31,38,000	81,79,000	...
Suspense Accounts . . .	60,67,154	...	...	2,90,06,000	...	...	11,70,000	...	...
Exchange on Remittance Account . . .	28,07,96,418	...	...	...	1,03,00,000	...	...	1,15,59,000	...
Miscellaneous . . .	4,03,897	82,75,614	...	1,000	...	...	2,000	...	...
TOTAL	1,67,96,78,194	2,28,90,55,076	3,96,87,33,270	1,29,55,15,000	1,83,88,46,000	2,63,48,61,000	1,26,27,85,000	1,30,28,88,000	2,56,56,73,000
NET	...	...	18,66,08,089	...	...	...	...	...	...
Carried over	5,20,26,80,841	2,78,16,55,376	...	4,97,21,35,000	1,72,56,48,000	...	4,74,23,03,000	1,84,01,96,000	...

(a) Of this amount, Rs 24,70,000 is non-voted and the balance of Rs 29,97,58,000 is voted.

(b) The whole of this amount is voted.

(c) Of this amount, Rs 35,000 is non-voted and the balance of Rs 1,96,65,000 is voted.

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23.

C.—Statement of Receipts and Disbursements of the

	ACCOUNTS, 1920-21			REVISED ESTIMATE, 1921-			BUDGET ESTIMATE, 1922-23.		
	India.	England.	TOTAL.	India.	England.	TOTAL.	India.	England.	TOTAL.
	R	R	R	R	R	R	R	R	R
Brought forward	5,49,11,02,892	2,31,51,44,772		5,27,87,51,000	1,52,83,96,000		5,14,29,20,000	1,52,30,68,000	
Loans and Advances by the Central Government	33,46,661	...	33,46,661	30,58,000	...	30,58,000	28,74,000	..	28,74,000
NET			12,75,376			0			9,74,000
Loans between Central and Provincial Governments				78,50,000	..	78,50,000	1,04,59,000	...	1,04,59,000
NET						0			0
Loans and Advances by Provincial Governments	2,79,39,348	...	2,79,39,348						
NET	...	...	2,27,057						
Remittances—									
Inland Money Orders	95,37,16,465	...		85,50,00,000	...		87,00,00,000	..	
Other Local Remittances	1,01,70,512	...		6,57,10,000	...		5,84,77,000	...	
Other Departmental Accounts	88,615	...		...	...		...	...
Net Receipts by Civil Treasuries from—									
Posts and Telegraphs	1,94,13,880	...		7,30,81,000	...		5,66,62,000	...	
Railways	13,53,90,287	...							
Net Receipts from Civil Treasuries by—									
Posts and Telegraphs	2,77,99,200	...		5,20,00,000	...		1,87,79,000	...	
Marine		...		2,43,86,000	...		2,04,42,000	...	
Army and Military Works	79,90,33,708	...		53,75,17,000	...		45,89,78,000	...	
Remittance Account between England and India—									
Transfers through Paper Currency Reserve	50,890	36,50,14,786		...	2,49,97,000		...	5,84,87,000	
Transfers through Gold Standard Reserve	...	...		...	...		...	12,20,00,000	
Purchase of Gold	8,21,73,141	...		11,00,000	...		...	...
Purchase of Silver	6,00,029	...		14,000	...		...	...
Loan drawings	...	...		...	5,10,00,000		...	6,00,00,000	
War Office transactions	25,32,28,030	54,66,75,276		...	11,34,33,000		...	5,67,00,000	
Other transactions	18,44,64,010	6,97,42,607		7,79,42,000	15,11,95,000		4,43,29,000	5,34,47,000	
TOTAL	2,46,62,22,765	98,14,32,619	3,44,76,55,384	1,68,22,80,000	34,06,25,000	2,02,29,05,000	1,52,76,67,000	35,06,34,000	1,87,83,01,000
NET			15,29,849			6,58,65,000			35,73,000
Secretary of State's Bills drawn	...	...	...	...	...	...	...	...	...
Sterling Transfers on London drawn	30,58,80,000	...	30,93,80,000	...	...	...	...	...	...
Balances of Provincial Governments	7,66,34,510	...	7,66,34,510	..	...	...	...	...	...
NET	...		86,68,098			0			0
TOTAL RECEIPTS	3,37,51,25,676	3,29,75,77,391		6,97,19,39,000	1,86,43,21,000		6,68,39,20,000	1,87,37,02,000	
Opening Balance	26,47,59,96	11,93,73,931		13,83,56,901	7,20,98,319		11,88,74,901	7,00,7,819	
GRAND TOTAL	8,63,98,85,638	3,41,65,51,322		7,11,02,95,901	1,93,64,19,319		6,80,27,94,901	1,94,37,29,319	

(a) Of this amount, Rs.511 represents the funds of the Gold Standard Reserve.
(b) Of this amount, Rs.828 represents the funds of the Gold Standard Reserve.

DELHI,
FINANCE DEPARTMENT,
March 1, 1922.

Auditor General.

Central Government, in India and in England—continued.

	ACCOUNTS, 1920-21.			REVISED ESTIMATE, 1921-22.			BUDGET ESTIMATE, 1922-23.		
	India.	England.	TOTAL.	India.	England.	TOTAL.	India.	England.	TOTAL.
	R	R	R	R	R	R	R	R	R
Brought forward	5,20,26,80,841	4,78,16,55,376		4,97,21,35,00	1,79,56,48,000		4,74,23,03,000	1,84,01,96,000	
Loans and Advances by the Central Government	20,71,285	...	20,71,285	33,30,000	...	33,30,000	19,00,000	...	19,00,000
NET			0			2,74,030			0
Loans between Central and Provincial Governments				6,70,50,000	...	6,70,50,000	6,54,59,000	...	6,54,59,000
NET						5,92,00,000			5,50,00,000
Loans and Advances by Provincial Governments	2,77,12,291	...	2,77,12,291						
NET			0						
Remittances—									
Inland Money Orders	95,27,19,307	...		85,00,00,000	...		87,00,00,000	...	
Other Local Remittances	...	...		6,56,02,000	...		5,89,86,000	...	
Other Departmental Accounts	18,184	...		14,000	...		1,28,000	...	
Net Payments into Civil Treasuries by—									
Posts and Telegraphs	1,97,69,110	...		...	...		...	...
Railways	12,12,44,731	...		7,30,81,000	...		5,66,62,000	...	
Net Issues from Civil Treasuries to—									
Posts and Telegraphs		...		5,20,00,000	...		1,87,79,000	...	
Marine	2,76,01,849	...		2,43,86,000	...		2,04,42,000	...	
Army and Military Works	76,64,05,951	...		53,75,17,000	...		45,69,78,000	...	
Remittance Account between England and India—									
Transfers through Paper Currency Reserve	36,50,65,674	...		2,43,97,000	...		5,84,87,000	...	
Transfers through Gold Standard Reserve	...	...		...	...		12,20,00,000	...	
Purchase of Gold	1,27,56,884	6,72,56,958		...	11,00,000		...	...
Purchase of Silver	2,302	7,03,654		...	14,000		...	...
Iraq drawings	...	...		5,62,95,000	...		6,00,00,000	...	
War Office transactions	78,09,39,760	56,25,617		10,85,00,000	...		5,67,33,000	...	
Other transactions	15,41,76,176	17,14,41,358		12,02,14,000	4,30,20,000		5,21,0,000	3,43,63,000	
TOTAL	8,20,10,97,908	24,50,27,627	3,44,61,25,535	1,91,29,06,000	4,41,34,000	1,95,70,40,000	1,84,03,65,000	3,43,63,000	1,87,47,28,000
NET			0			0			0
Secretary of State's Bill paid	...	...	...	...	...	...	...	...	...
Sterling Transfers on London paid	...	31,77,70,000	31,77,70,000	...	...	...	...	...	...
Balances of Provincial Governments	6,79,66,412	...	6,79,66,412	3,60,00,000	2,66,10,000	6,26,10,000	1,00,00,000	2,85,60,000	4,35,60,000
NET			0			6,26,10,000			4,35,60,000
TOTAL DISBURSEMENTS	8,50,15,28,737	3,34,44,53,003		6,99,14,21,000	1,86,69,92,000		6,66,50,27,000	1,90,91,19,000	
Closing Balance	13,83,56,901	(b) 7,20,98,319		11,88,74,901	(b) 7,00,27,319		13,77,67,901	(b) 4,06,10,319	
GRAND TOTAL	8,63,98,85,638	3,41,65,51,322		7,11,02,95,901	1,93,64,19,319		6,80,27,94,901	1,94,97,29,319	

A. C. McWATTERS,
Controller of the Currency.

E. M. COOK,
Secretary to the Government of India.

D. — Abstract Statement of the Receipts and Disbursements of the Central Government in India and in England.

REVENUE AND EXPENDITURE				REVISED ESTIMATE, 1921-22		BUDGET ESTIMATE, 1922-23.	
				Net Receipts	Net Charges	Net Receipts	Net charges.
				R	R	R	R
Principal Heads of Revenue	Customs	...	...	33,65,26,000	...	50,61,16,000	...
	Taxes on Income	...	...	17,47,74,000	...	21,62,47,000	...
	Salt	...	...	4,82,11,000	...	9,61,03,000	...
	Opium	...	...	1,15,33,000	...	1,21,09,000	...
	Other heads	...	...	1,52,04,000	...	1,49,76,000	...
TOTAL				58,63,28,000	...	84,55,51,000	...
Commercial Services	Railways	...	...	...	8,01,77,000	4,87,41,000	...
	Irrigation	...	...	...	6,36,000	...	3,97,000
	Posts and Telegraphs	...	...	...	99,90,000	67,96,000	...
Debt Services	...	...	...	...	12,72,68,000	...	14,35,78,000
Civil Administration	Civil Administration	...	...	...	8,23,52,000	...	9,11,96,000
Currency, Mint and Exchange	Currency	...	...	...	68,61,000	...	63,23,006
	Mint	...	...	...	1,31,000	...	2,71,000
	Exchange	...	...	...	9,03,00,000	...	9,95,50,000
Civil Works	Civil Works, etc	...	...	...	1,41,31,000	...	1,55,62,000
Miscellaneous Civil Services	Famine Relief	...	...	...	4,50,000	...	27,000
	Superannuation	...	...	...	2,19,10,000	...	2,21,24,000
	Miscellaneous	...	...	5,65,82,000	...	...	38,90,000
	Other Heads	...	...	...	1,06,91,000	...	85,59,000
Military Services	Army { Effective	...	...	...	52,92,74,000	...	49,54,21,000
	Non-effective	...	...	...	6,16,78,000	...	6,97,51,000
	Marine	...	...	...	84,26,000	...	1,13,73,000
	Military works	...	...	...	5,07,55,000	...	4,52,55,000
Contributions and Assignments to Central Government by Provincial Governments				12,22,78,000	...	8,57,36,000	...
TOTAL				76,51,88,000	1,09,53,33,000	96,68,24,000	1,01,39,80,000
Deficit				33,01,45,000		2,71,6,000	

		ACCOUNTS, 1920-21		REVISED ESTIMATE, 1921-22		BUDGET ESTIMATE, 1922-23	
		Net Receipts	Net Charges	Net Receipts	Net Charges	Net Receipts	Net Charges.
		R	R	R	R	R	R
Deficit		...	26,00,85,276	...	33,01,45,000	...	2,71,56,000
Capital Account	Railway, Irrigation, Posts and Telegraphs and other Capital not charged to Revenue —	...	...	...	...	...	...
	Payments for discharge of Debentures	...	57,16,214	...	5,00,000	...	3,60,49,000
	Capital contributed by Railway Companies and Indian States towards construction of State Railways	...	...	64,65,000	...	3,86,74,000	...
	Construction of Irrigation Works	...	66,83,195	...	6,20,000	...	2,69,000
	Construction of State Railways	...	25,88,88,911	...	23,01,44,000	...	30,00,00,000
	Capital outlay on Indian Postal and Telegraph Department	...	...	...	1,28,06,000	...	1,45,00,000
	Initial expenditure on new Capital at Delhi	...	1,25,75,011	...	1,40,10,000	...	2,00,00,000
	Permanent Debt (net)	28,30,14,560	...	24,66,08,000	...	40,46,93,000	...
	Temporary Debt (net)	24,03,92,988	...	14,55,16,000	...	...	26,87,46,000
	Unfunded Debt (net)	2,90,60,125	...	4,44,75,000	...	3,07,15,000	...
Debt, Deposits, Advances and Remittances.	Loans and Advances by Central Government (net)	12,75,376	...	...	2,72,000	9,74,000	...
	Loans and Advances by Provincial Governments (net)	2,27,057	...	...	...	...	...
	Loans between Central and Provincial Governments (net)	...	...	...	5,92,00,000	...	5,50,60,000
	Deposits and Advances (net)	...	18,66,08,069	17,98,25,000	...	27,61,27,000	...
	Remittances (net)	15,29,849	...	6,58,65,000	...	85,73,000	...
	Secretary of State's Bills drawn	...	...	...	...	...	...
	Secretary of State's Bills paid	...	...	...	...	...	...
	Sterling Transfers on London drawn	30,98,80,000	...	...	...	...	...
	Sterling Transfers on London paid	...	31,77,70,000	...	...	...	...
	Balances of Provincial Governments (net)	86,68,098	...	...	6,20,10,000	...	4,85,60,000
Cash Balance	Opening Balance	38,47,33,898	...	21,04,55,220	...	18,89,02,220	...
	Closing Balance	...	21,04,55,220	...	18,89,02,220	...	17,88,78,220
TOTAL		1,25,87,81,896	1,25,87,81,896	89,92,09,220	89,92,09,220	94,86,58,220	94,86,58,220

M. F. GAUNTLETT,
Auditor General.

A. C. McWATTERS,
Controller of the Currency

E. M. COOK,
Secretary to the Government of India.

DELHI,

FINANCE DEPARTMENT,

March 1, 1922.

PART II.

ACCOUNTS 1920-21

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I.—General Statement of the Revenue and Expenditure charged to

	For details, vide Statement	ACCOUNTS, 1920-1921.
		Rs
Revenue—		
Principal Heads of Revenue—		
Land Revenue	A	31,97,48,469
Opium	"	3,53,41,234
Salt	"	6,76,45,308
Stamps	"	10,95,68,483
Excise	"	20,43,65,359
Customs	"	31,89,85,157
Income Tax	"	22,19,28,478
Other Heads	"	7,51,00,644
TOTAL PRINCIPAL HEADS	...	1,35,20,53,132
Interest	A	3,57,60,085
Posts and Telegraphs	"	9,62,00,473
Mint	"	73,48,084
Receipts by Civil Departments	"	3,55,57,236
Miscellaneous	"	12,35 10,461
Railways: Net Receipts	"	25,01,45,098
Irrigation	"	8,79,68,212
Other Public Works	"	76,18,590
Military Receipts	"	6,47,86,932
TOTAL REVENUE . . . . .	...	2,06,15,78,306
DEFICIT . . . . .	...	26,00,85,276
TOTAL . . . . .	...	2,32,16,63,582

M. F. GAUNTLETT,
Auditor General.

DELHI,
FINANCE DEPARTMENT
March 1, 1922.

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23

Revenue, of the Government of India, in India and in England.

39

	For details, vide State- ment.	ACCOUNTS, 1920-1921.
Expenditure—		R
Direct Demands on the Revenues	B	22,27,14,381
Interest	"	12,75,80,455
Posts and Telegraphs	"	9,43,66,774
Mint	"	25,46,201
Salaries and Expenses of Civil Departments	"	44,00,21,028
Miscellaneous Civil Charges	"	12,74,97,667
Famine Relief and Insurance	"	1,50,00,000
Railways: Interest and Miscellaneous Charges	"	19,37,65,251
Irrigation	"	7,01,79,256
Other Public Works	"	12,77,68,224
Military Services	"	88,23,24,251
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL . . . . .	...	2,31,27,63,488
<i>Add—Provincial Surpluses: that is, portion of allotments to Provincial Governments not spent by them in the year.</i>	End of B	7,66,34,510
<i>Deduct—Provincial Deficits: that is, portion of Provincial Expenditure defrayed from Provincial Balances.</i>	"	6,77,34,416
TOTAL EXPENDITURE CHARGED TO REVENUE . . . . .	...	2,32,16,63,582

E. M. COOK,

Secretary to the Government of India.

BUDGET OF THE GOVERNMENT OF INDIA FOR 1922-23.

A.—Statement of the Revenue of India, in India and in England.

HEADS OF REVENUE.	ACCOUNTS, 1920-1921.				
	India	England	TOTAL	DISTRIBUTION OF TOTAL BETWEEN	
				Imperial	Provincial
Principal Heads of Revenue—	R	R	R	R	R
I.—Land Revenue	31,97,48,469	..	31,97,48,469	15,51,83,413	16,45,65,056
II.—Opium	3,53,41,234	..	3,53,41,234	3,53,41,234	..
III.—Salt	6,76,45,308	..	6,76,45,308	6,76,45,308	..
IV.—Stamps	10,95,68,483	..	10,95,68,483	5,59,99,221	5,35,69,258
V.—Excise	20,43,65,359	..	20,43,65,359	5,69,81,328	14,73,81,031
VI.—Provincial Rates	6,33,025	..	6,33,025	1,192	6,31,833
VII.—Customs	31,89,85,157	..	31,89,85,157	31,89,85,157	..
VIII.—Income Tax	22,19,28,478	..	22,19,28,478	15,67,39,391	6,51,89,087
IX.—Forest	5,41,43,496	..	5,41,43,496	13,81,930	5,27,61,566
X.—Registration	1,12,03,534	..	1,12,03,534	1,59,641	1,10,43,893
XI.—Tributes from Indian States	91,20,589	..	91,20,589	91,20,589	..
TOTAL	1,35,26,83,132	..	1,35,26,83,132	87,75,38,408	4,51,44,724
XII.—Interest	2,12,36,653	1,45,23,432	3,57,60,085	2,98,27,782	59,32,303
XIII.—Posts and Telegraphs	9,61,14,116	86,360	9,62,00,476	9,62,00,476	..
XV.—Mint	73,46,634	1,450	73,48,084	73,48,084	..
Receipts by Civil Departments—					
XVI.—Law and Justice { Courts	72,87,611	..	72,87,611	3,86,184	69,01,427
{ Jails	63,28,277	..	63,28,277	9,82,970	53,45,307
XVII.—Police	36,82,650	..	36,82,650	12,96,970	23,85,680
XVIII.—Ports and Pilotage	24,76,700	..	24,76,700	..	24,76,700
XIX.—Education	54,00,899	..	54,00,899	1,11,917	52,88,982
XXA.—Medical	23,02,545	1,556	23,04,101	49,985	22,54,116
XXB.—Sanitation	11,21,524	..	11,21,524	5,42,208	5,79,318
XXIA.—Agriculture	26,05,001	..	26,05,001	5,99,918	20,75,088
XXIB.—Scientific and Miscellaneous Departments	43,28,473	22,000	43,50,473	5,27,737	38,22,736
TOTAL	3,55,33,680	23,556	3,55,57,236	44,27,882	3,11,29,354
Miscellaneous—					
XXII.—Receipts in aid of Superannuation, etc.	31,44,027	4,09,208	35,53,235	18,46,842	17,06,393
XXIII.—Stationery and Printing	21,40,278	..	21,40,278	9,32,601	12,07,677
XXIV.—Exchange . . . . .	..	..	..	..	..
XXV.—Miscellaneous	11,14,93,484	63,23,464	11,78,16,948	2,42,89,068	9,35,27,880
TOTAL	11,67,77,789	67,32,672	12,35,10,461	2,70,68,511	9,64,41,950
Railways—					
XXVI.—State Railways (Gross Receipts)	80,94,19,985	4,86,069	80,99,06,054	80,97,75,232	1,30,822
Deduct—Working Expenses	54,52,84,348	..	54,52,84,348	54,51,87,461	1,46,887
Surplus profits paid to Companies, etc.	1,72,51,527	..	1,72,51,527	1,72,51,527	..
Net Receipts	24,68,84,110	4,86,069	24,73,70,179	24,73,86,244	—16,065
XXVIII.—Subsidised Companies (Government share of surplus profits and Repayment of advances of Interest)	6,34,522	21,40,397	27,74,919	27,74,919	..
TOTAL	24,75,18,632	26,26,466	25,01,45,098	25,01,61,163	—16,065
Irrigation—					
XXIX.—Major Works: Direct Receipts	5,52,03,908	..	5,52,03,908	2,36,46,751	3,15,57,157
Portion of Land Revenue due to Irrigation	2,85,63,861	..	2,85,63,861	1,55,11,232	1,30,52,629
XXX.—Minor Works and Navigation	42,00,443	..	42,00,443	15,65,181	26,35,262
TOTAL	8,79,68,212	..	8,79,68,212	4,07,23,164	4,72,45,048
Other Public Works—					
XXXI.—Civil Works	76,18,590	..	76,18,590	11,27,368	64,91,222
Military Receipts—					
XXXII.—Army: Effective	5,07,93,339	31,54,947	5,39,48,286	5,39,48,286	..
Non-Effective	7,01,705	4,93,709	11,95,414	11,95,414	..
XXXIII.—Marine	79,56,768	..	79,56,768	79,56,768	..
XXXIV.—Military Works	16,86,464	..	16,86,464	16,86,464	..
TOTAL	6,11,38,276	36,48,656	6,47,86,932	6,47,86,932	..
Transfers between Imperial and Provincial Revenues	..	..	..	—2,28,77,479	+ 2,28,77,479
TOTAL REVENUE	2,03,39,35,714	2,76,42,592	2,06,15,78,306	1,35,63,32,291	70,52,46,015

B.—Statement of the Expenditure charged to the Revenues of India, in India and in England.

HEADS OF EXPENDITURE.	ACCOUNTS, 1920-21.				
	India	England.	TOTAL.	DISTRIBUTION OF TOTAL BETWEEN	
				Imperial.	Provincial.
	R	R	R	R	R
Direct Demands on the Revenues—					
1.—Refunds and Drawbacks	3,23,89,677	...	3,23,89,677	2,39,38,130	84,51,547
2.—Assignments and Compensations	1,94,56,175	...	1,94,56,175	85,16,763	1,09,39,412
Charges in respect of Collection, viz.—					
3.—Land Revenue	8,09,88,431	30,438	8,10,18,869	48,78,170	7,61,40,699
4.—Opium (including cost of Production)	1,24,51,073	12,201	1,22,63,274	1,24,63,274	...
5.—Salt (including cost of Production)	92,90,523	40,839	93,31,362	93,11,302	...
6.—Stamps	15,84,013	36,93,460	52,77,473	39,45,912	13,31,561
7.—Excise	1,19,92,136	7,808	1,19,99,944	29,2,203	90,78,681
9.—Customs	56,45,133	11,883	56,57,016	56,57,016	...
10.—Income Tax	21,86,350	13,479	21,99,829	11,53,213	10,46,616
11.—Forest	3,64,16,988	8,04,031	3,72,21,019	38,36,020	3,33,84,999
12.—Registration	58,99,743	...	58,99,743	49,462	58,50,281
TOTAL	21,81,00,242	46,14,139	22,27,14,381	7,64,95,585	14,62,18,796
Interest—					
13.—Interest on Debt	18,88,86,084	7,23,63,875	26,12,49,959	25,54,64,347	57,85,612
Deduct—Amounts chargeable to Railways	9,41,54,057	3,77,48,703	13,19,02,760	13,19,02,760	...
" Amounts chargeable to Irrigation	2,20,57,565	12,58,614	2,33,16,179	2,33,16,179	...
Remainder chargeable on Ordinary Debt	7,26,74,462	3,33,56,558	10,60,31,020	10,02,45,408	57,85,612
14.—Interest on other obligations	2,15,49,435	...	2,15,49,435	2,15,49,435	...
TOTAL	9,42,23,897	3,33,56,558	12,75,80,455	12,17,94,843	57,85,612
15.—Posts and Telegraphs	8,55,45,939	88,20,835	9,43,66,774	9,43,66,774	...
17.—Mint	18,99,803	6,46,398	25,46,201	25,46,201	...
Salaries and Expenses of Civil Departments—					
18.—General Administration	3,73,16,438	1,10,18,804	4,83,35,242	2,80,47,668	2,02,87,574
19.—Law and Justice { Courts	6,72,79,167	3,804	6,72,83,051	15,13,768	6,57,69,283
{ Jails	2,49,26,486	18,667	2,49,45,153	41,71,670	2,07,73,483
20.—Police	12,01,82,662	56,045	12,02,38,707	81,67,002	11,20,71,105
21.—Ports and Pilotage	40,73,717	1,733	40,75,450	1,733	40,73,717
22.—Education	7,74,85,334	2,20,039	7,75,05,973	26,86,629	7,48,19,344
23.—Ecclesiastical	20,34,735	3,142	20,37,877	25,37,877	...
24A.—Medical	2,47,15,577	3,01,002	2,50,16,579	2,04,256	2,29,12,323
24B.—Sanitation	1,25,90,582	21,016	1,26,11,598	2,16,106	1,00,4,492
25.—Political	3,42,25,283	3,91,174	3,46,16,457	3,08,96,522	37,19,935
26A.—Agriculture	1,68,38,073	58,466	1,68,96,539	22,35,234	1,46,61,305
26B.—Scientific and Miscellaneous Departments	1,39,08,872	10,49,730	1,49,58,602	90,10,880	54,47,522
TOTAL	43,58,76,726	1,81,44,302	44,90,21,028	9,45,39,945	35,44,81,083
Miscellaneous Civil Charges—					
27.—Territorial and Political Pensions	27,34,064	1,07,026	28,41,090	28,41,090	...
28.—Civil Furlough and Absentee Allowances	3,87,227	1,00,73,358	1,04,60,585	1,04,60,585	...
29.—Superannuation Allowances and Pensions	2,61,05,970	2,07,98,531	4,69,04,501	2,32,30,184	2,36,74,317
30.—Stationery and Printing	1,81,27,645	28,59,537	2,09,87,182	87,76,972	1,22,10,210
31.—Exchange	3,23,39,526	...	3,23,39,526	3,23,39,526	...
32.—Miscellaneous	1,31,50,087	8,14,696	1,39,64,783	83,83,155	55,81,628
TOTAL	9,28,44,519	3,46,53,148	12,74,97,667	8,60,31,492	4,14,66,175
Famine Relief and Insurance—					
33.—Famine Relief	26,64,017	...	26,64,017	19,98,014	6,66,003
34.—Construction of Protective Railways	—60,841	...	—60,841	—60,841	...
35.—Construction of Protective Irrigation Works	58,74,370	96,342	59,70,714	59,70,714	...
36.—Reduction or Avoidance of Debt	64,26,110	...	64,26,110	64,26,110	...
TOTAL	1,49,03,658	96,342	1,50,00,000	1,43,33,997	6,66,003
Carried over	94,33,94,784	9,53,31,722	1,03,87,26,506	49,01,08,837	54,86,17,669

B.—Statement of the Expenditure charged to the Revenues of India, in India and in England.

HEADS OF EXPENDITURE.	ACCOUNTS, 1920-1921.				
	India.	England.	TOTAL.	DISTRIBUTION OF TOTAL BETWEEN	
				Imperial	Provincial.
	₹	₹	₹	₹	₹
Brought forward	94,33,94,784	9,53,31,722	1,03,87,26,506	49,01,08,837	54,86,17,669
Railways—					
38.—State Railways : Interest on Debt	9,41,54,057	3,77,48,703	13,19,02,760	13,19,02,760	...
Interest on Capital contributed by Companies	36,49,216	2,11,50,806	2,48,00,022	2,48,00,022	...
Annuities in purchase of Railways	54,33,346	3,35,73,960	3,90,07,306	3,90,07,306	...
Sinking Funds	4,38,526	27,09,768	31,48,294	31,48,294	...
40.—Subsidised Companies : Land, etc.	5,23,040	...	5,23,040	5,09,993	13,047
41.—Miscellaneous Railway Expenditure	—70,05,252	13,89,081	—56,16,171	—56,16,466	295
TOTAL	9,71,92,933	9,65,72,318	19,37,65,251	19,37,51,909	13,342
Irrigation—					
42.—Major Works : Working Expenses	2,75,05,200	13,843	2,75,19,043	1,32,49,969	1,42,69,074
Interest on Debt	2,20,57,565	12,58,614	2,33,16,179	1,21,93,819	1,11,22,360
43.—Minor Works and Navigation	1,93,44,034	...	1,93,44,034	52,23,565	1,41,20,469
TOTAL	6,89,06,799	12,72,457	7,01,79,256	3,06,67,353	3,95,11,903
Other Public Works—					
44.—Construction of Railways charged to Provincial Revenues	19,68,447	...	19,68,447	...	19,68,447
45.—Civil Works	12,55,32,440	2,67,337	12,57,99,777	1,95,65,217	10,62,34,560
TOTAL	12,75,00,887	2,67,337	12,77,68,224	1,95,65,217	10,82,03,007
Military Services—					
46.—Army : Effective	67,88,98,151	7,73,32,372	75,62,30,523	75,62,30,523	...
Non-Effective	2,48,11,966	3,18,61,445	5,66,73,411	5,66,73,411	...
46A.—Marine	83,20,180	57,34,883	1,40,55,063	1,40,55,063	...
47.—Military Works	5,40,92,695	12,72,559	5,53,65,254	5,53,65,254	...
TOTAL	76,61,22,992	11,62,01,259	88,23,24,251	88,23,24,251	...
TOTAL EXPENDITURE, IMPERIAL AND PROVINCIAL	2,00,31,18,395	30,96,45,093	2,31,27,63,488	1,61,64,17,567	69,63,45,921
Add—Portion of Allotments to Provincial Governments not spent by them in the year	7,66,34,510	...	7,66,34,510	...	7,66,34,510
Deduct—Portion of Provincial Expenditure defrayed from Provincial Balances	6,77,34,416	...	6,77,34,416	...	6,77,34,416
TOTAL EXPENDITURE CHARGED TO REVENUE	2,01,20,18,489	30,96,45,093	2,32,16,63,582	1,61,64,17,567	70,63,45,921

C.—Statement of Revenue, Expenditure and Balances of Provincial Governments.

																ACCOUNTS, 1920-21.
																R
Madras—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	2,05,92,771
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	9,86,42,640
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	11,33,57,007
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	58,78,404
Bombay—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	4,43,94,703
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	20,99,97,562 (a)
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	22,37,64,555 (a)
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	3,06,27,710
Bengal—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	4,19,97,677
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	8,63,85,547
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	9,22,97,855
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	3,60,85,369
United Provinces—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	2,20,87,355
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	8,62,74,495
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	9,94,75,117
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	88,86,733
Punjab—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	2,59,64,407
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	6,83,02,691
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	7,49,82,813
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,92,84,285
Burma—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,43,67,482
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	15,96,95,472
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	8,30,60,962
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	9,10,01,992
Bihar and Orissa—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,46,42,558
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	3,72,25,046
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	4,18,16,046
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,00,51,558
Central Provinces—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,33,18,027
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	3,39,74,071
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	4,21,89,418
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	51,02,680
Assam—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	57,08,028
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,89,18,942
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	1,98,04,595
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	48,22,375
Total—																
Balance on April 1st	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	20,30,73,008
Total Revenue	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	79,94,16,466
Total Expenditure	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	79,07,48,368
Closing Balance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	21,17,41,106

(a) Includes receipts from Bombay Development Loan and connected transactions shown in the Capital and Debt sections of the account.

M. F. GAUNTLETT,
Auditor General.

E. M. COOK,
Secretary to the Government of India.

DELHI,
FINANCE DEPARTMENT,
March 1, 1922.

D.—Abstract Statement of the Net Revenue and Net Expenditure of the Government of India, in India and in England.

REVENUE AND EXPENDITURE.		ACCOUNTS, 1920-1921.			
		Revenue.	EXPENDITURE.		Net Receipts.
			Refunds and Assignments.	Cost of Collection and Production.	
Revenue Heads.		₹	₹	₹	₹
Principal Heads of Revenue	Land Revenue (excluding that due to Irrigation) .	31,97,48,469	1,22,95,440	8,10,18,869	22,64,34,160
	Opium	8,53,41,234	54,188	1,22,63,274	2,30,23,774
	Salt	6,76,45,308	96,20,902	93,31,362	4,86,93,044
	Stamps	10,95,68,483	13,61,811	52,77,473	10,29,29,199
	Excise	20,43,65,359	29,36,497	1,19,99,944	18,94,38,918
	Provincial Rates	6,33,025	387	...	6,32,638
	Customs	31,89,85,157	94,48,700	56,57,016	30,38,79,441
	Income Tax	22,19,28,478	1,27,54,156	21,99,829	20,69,74,493
	Forest	5,41,43,496	2,54,870	3,72,21,019	1,66,67,607
	Registration	1,12,03,534	24,115	58,99,743	52,79,676
	Tributes	91,20,589	30,94,788	...	60,25,801
TOTAL		1,35,26,83,132	5,18,45,852	17,08,68,529	1,12,99,68,751
Total deduction from Revenue			22,27,14,381		
Expenditure Heads.					
Debt Services	Interest	3,57,60,085	12,75,80,455	...	9,18,20,370
Commercial Services	Posts and Telegraphs	9,62,00,476	9,43,66,774	18,33,702	
	Railways	25,01,45,098	19,37,65,251	5,63,79,847	
Other Public Works	Irrigation	8,79,68,212	7,01,79,256	1,77,88,956	
	Civil Works, etc.	76,18,590	12,77,68,224		12,01,49,634
Mint	Mint	73,48,084	25,46,201	48,01,883	
Civil Departments	Civil Departments	3,55,57,236	44,90,21,028		41,34,63,792
Miscellaneous Civil Services	Superannuation	35,53,235	4,69,04,501		4,33,51,266
	Exchange . . . . .	...	3,23,39,526		3,23,39,526
	Miscellaneous	11,78,16,948	1,39,64,783	10,38,52,165	
	Other heads	21,40,278	3,42,88,857		3,21,48,579
Famine Relief and Insurance	Famine Relief . . . . .	...	26,64,017		26,64,017
	Other heads . . . . .	...	1,23,35,983		1,23,35,983
Military Services	Army { Effective	5,39,48,286	75,62,30,523		70,22,82,237
	Non-effective	11,95,414	5,66,73,411		5,54,77,997
	Marine	79,56,768	1,40,55,063		60,98,295
	Military works	16,86,464	5,58,65,254		5,36,78,790
TOTAL		2,06,15,78,306	2,31,27,63,488		25,11,85,182
Provincial Adjustment	Surplus . . . . .	...	89,00,094		89,00,094
	Deficit . . . . .	...	...
TOTAL		2,06,15,78,306	2,32,16,63,582		
DEFICIT					26,00,85,276

M. F. GAUNTLETT,
Auditor General.

E. M. COOK,
Secretary to the Government of India.

DELHI,
FINANCE DEPARTMENT,
March 1, 1921.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED UNDER THE
PROVISIONS OF THE GOVERNMENT OF INDIA ACT.**

Wednesday, 1st March, 1922.

The Assembly met in the Assembly Chamber at Eleven of the Clock. Mr. President was in the Chair.

THE INDIAN FINANCE BILL.

The Honourable Sir Malcolm Hailey (Finance Member) : With your permission, Sir, I beg leave :

'To introduce a Bill in the nature of our Annual Finance Bill, the exact title of which will be 'A Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.'

The motion was adopted.

The Honourable Sir Malcolm Hailey : Sir, I beg to introduce the Bill.

A Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.

WHEREAS it is expedient to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax ; It is hereby enacted as follows :—

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Short title, extent and duration. | 1. (1) This Act may be called the Indian Finance Act, 1922. |
| (2) It extends to the whole of British India, including, except as regards Section 4, the Sonthal Parganas and, except as regards sections 4 and 6, British Baluchistan. | |
| (3) Sections 2, 5 and 7 shall remain in force only up to the 31st day of March, 1923. | |
| 2. With effect from the first day of March, 1922, the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose | XII of 1882. |
| Enhancement of salt duty. | |
| by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of two rupees and eight annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section. | |
| 3. (1) With effect from the first day of March, 1922, for the Second Schedule to the Indian Tariff Act, 1894, the Schedule contained VIII of 1894. | |
| Amendment of Act VIII of 1894. | in the First Schedule to this Act shall be substituted. |
| (2) With effect from the same date, section 2 of the Indian Finance Act, 1921, and the VI of 1921. | |
| First Schedule to that Act shall be repealed. | |
| 4. With effect from the first day of March, 1922, the following amendment shall be made in the Cotton Duties Act, 1896, namely, in II of 1896. | |
| Amendment of Act II of 1896. | Section 6 for the figure "3½" the figure "7½" shall be substituted. |
| 5. With effect from the first day of April, 1922, the Schedule contained in the Second Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that VI of 1898. | |
| Amendment of Act VI of 1898. | Act. |
| 6. With effect from the first day of March, 1922, the provisions of the Motor Spirit (Duties) Act, 1917, which provide for the levy and II of 1917. | |
| Imposition of excise duty on kerosene. | collection of an excise duty on motor spirit, that |
| is to say, all the provisions of that Act except section 6 thereof, shall apply also for the purpose | |

of the levy and collection of an excise duty on kerosene as if references in the said Act to motor spirit (other than the reference in the second clause of section 2 thereof) were references to kerosene :

Provided that the duty on kerosene shall be levied and collected at the rate of one anna on each imperial gallon.

Explanation.— For the purposes of this section, “ kerosene ” means any inflammable hydro-carbon (including any mixture of hydro-carbons or any liquid containing hydro-carbons but excluding motor spirit) which—

VIII of 1899. (a) is made from petroleum as defined in section 2 of the Indian Petroleum Act 1899, and

(b) is intended to be, or is ordinarily, used for purposes of illumination.

7. (1) Income-tax for the year beginning on the first day of April, 1922, shall be charged at the rates specified in Part I of the Third Schedule.

Income-tax and super-tax.

XI of 1922. (2) The rates of super-tax for the year beginning on the first day of April, 1922, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule.

XI of 1922. (3) For the purposes of the Third Schedule “ total income ” means total income as defined in clause (15) of section 2 of the Indian Income-tax Act, 1922.

8. With effect from the first day of April, 1922, the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, shall be repealed.

XIII of 1917. Repeal of Act XIII of 1917.

XVI of 1918. It is hereby declared that it is expedient in the public interest that this Bill should have temporary effect under the provisions of the Provincial Collection of Taxes Act, 1918.

SCHEDULE I.

Schedule to be substituted in the Indian Tariff Act, 1894.

[See section 3 (1).]

“SCHEDULE II—IMPORT TARIFF.**PART I.**

Articles which are free of duty.

No.	Names of Articles.
I.—Food, Drink and Tobacco—	
1	Hops.
2	SALT imported into British India and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in any process of manufacture, also salt imported into the port of Calcutta and issued with the sanction of the Government of Bengal to manufacturers of glazed stone-ware, also salt imported into any port in the provinces of Bengal and Bihar and Orissa and issued, in accordance with rules made with the previous sanction of the Governor General in Council, for use in curing fish in those provinces. (For the general duty on salt, see No. 35.)
II.—Raw materials and produce and articles mainly unmanufactured—	
HIDES AND SKINS, RAW.	
3	HIDES AND SKINS, raw or salted.
METALLIC ORES.	
4	METALLIC ORES, all sorts.
PRECIOUS STONES AND PEARLS.	
5	PRECIOUS STONES, unset and imported uncut, and PEARLS, unset.
SEEDS	
6	OIL-SEEDS imported into British India by sea from the territories of any Prince or Chief in India.
TEXTILE MATERIALS.	
7	COTTON, raw.
8	WOOL, raw.
MISCELLANEOUS.	
9	MANURES, all sorts, including animal bones and the following chemical manures.—Basic slag, nitrate of ammonia, nitrate of soda, muriate of potash, sulphate of ammonia, sulphate of potash, kainit salts, nitrate of lime, calcium cyanamide, mineral phosphates and mineral superphosphates.
10	PULP OF WOOD, RAGS and other paper-making materials.
III.—Articles wholly or mainly manufactured—	
APPAREL.	
11	UNIFORMS AND ACCOUTREMENTS appertaining thereto, imported by a public servant for his personal use.
ARMS, AMMUNITION AND MILITARY STORES.	
12	The following ARMS, AMMUNITION AND MILITARY STORES :— (a) Articles falling under the 5th, 6th, 8th, 9th or 10th item of No. 42, when they appertain to a firearm falling under the 1st or 3rd item and are fitted into the same case with such firearm. (b) Arms forming part of the regular equipment of a commissioned or gazetted officer in His Majesty's Service entitled to wear diplomatic, military, naval, Royal Air Force or police uniform.

BUDGET FOR 1922-23.

SCHEDULE II—IMPORT TARIFF.

PART I—*contd.*

Articles which are free of duty.

No.	Names of Articles.
	<p>(c) A revolver and an automatic pistol and ammunition for such revolver and pistol up to a maximum of 100 rounds per revolver or pistol, (i) when accompanying a commissioned officer of His Majesty's regular forces, or of the Indian Auxiliary Force or the Indian Territorial Force or a gazetted police officer, or (ii) certified by the commandant of the corps to which such officer belongs, or, in the case of an officer not attached to any corps, by the officer commanding the station or district in which such officer is serving, or, in the case of a police officer, by an Inspector General or Commissioner of Police, to be imported by the officer for the purpose of his equipment.</p> <p>(d) Swords for presentation as army or volunteer prizes.</p> <p>(e) Arms, ammunition, and military stores imported with the sanction of the Government of India for the use of any portion of the military forces of a State in India which may be maintained and organized for Imperial Service.</p> <p>(f) Morris tubes and patent ammunition imported by officers commanding British and Indian regiments or volunteer corps for the instruction of their men.</p>
	CHEMICALS, DRUGS AND MEDICINES.
13	ANTI-PLAGUE SERUM.
14	QUININE and other alkaloids of cinchona.
	HARDWARE, IMPLEMENTS AND INSTRUMENTS.
15	The following AGRICULTURAL IMPLEMENTS, namely, winnowers, threshers, mowing and reaping machines, binding machines, elevators, seed-crushers, chaff-cutters, root-cutters, ensilage-cutters, horse and bullock gears, ploughs, cultivators, scarifiers, harrows, clod-crushers, seed-drills, hay-tedders, and rakes; also agricultural tractors; also component parts of these implements or tractors, provided that they can be readily fitted into their proper places in the implements or tractors for which they are imported, and that they cannot ordinarily be used for purposes unconnected with agriculture.
16	The following DAIRY APPLIANCES, namely, cream separators, milk sterilizing or pasteurizing plant, milk aerating and cooling apparatus, churns, butter dryers, and butter workers; also component parts of these appliances, provided that they can be readily fitted into their proper places in the appliances for which they are imported, and that they cannot ordinarily be used for other than dairy purposes.
17	INSTRUMENTS, APPARATUS and APPLIANCES, imported by a passenger as part of his personal baggage and in actual use by him in the exercise of his profession or calling.
18	WATER-LIFTS, SUGAR-MILLS, OIL-PRESSES, and parts thereof, when constructed so that they can be worked by manual or animal power.
	METALS.
19	CURRENT NICKEL, BRONZE, AND COPPER COIN of the Government of India.
20	GOLD AND SILVER BULLION and coin.
	PAPER.
21	TRADE CATALOGUES AND ADVERTISING CIRCULARS imported by packet, book, or parcel post.
	YARNS AND TEXTILE FABRICS.
22	SECOND-HAND OR USED GUNNY BAGS made of jute.
	MISCELLANEOUS.
23	ART, the following works of:—(1) statuary and pictures intended to be put up for the public benefit in a public place, and (2) memorials of a public character intended to be put up in a public place, including the materials used, or to be used in their construction, whether worked or not.
24	Books printed, including covers for printed books, maps, charts, and plans, proofs, music and manuscripts.
	IV.—Miscellaneous and unclassified—
25	ANIMALS, living, all sorts.
26	SPECIMENS ILLUSTRATIVE OF NATURAL SCIENCE, and medals and antique coins."

SCHEDULE II—IMPORT TARIFF.

PART II.

Articles which are liable to duty at special rates.

No.	Names of Articles.	Unit or method of assessment.	Rate of duty.
	I.—Food, Drink and Tobacco—		R A.
	FISH.		
27	FISH, SALTED, wet or dry	Indian maund of 82½ lbs. avoirdupois weight.	Such rate or rates of duty not exceeding one rupee as the Governor General in Council may, by notification in the Gazette of India, from time to time, prescribe.
	LIQUORS.		
28	ALE, Beer, Porter, Cider and other fermented liquors.	Imperial gallon or 6 quart bottles.	Eight annas.
29	SPIRIT, which has been rendered effectually and permanently unfit for human consumption.	<i>Ad valorem</i>	7½ per cent.
30	PERFUMED SPIRITS	Imperial gallon or 6 quart bottles.	36 0
31	LIQUEURS, Cordials, Mixtures and other preparations containing spirit—		
	(a) Entered in such a manner as to indicate that the strength is not to be tested.	Ditto.	30 0
	(b) If tested	Imperial gallon or 6 quart bottles of the strength of London proof.	21 14 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof.
32	All other sorts of SPIRIT	Ditto.	Ditto.
33	WINES—		
	Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit.	Imperial gallon or 6 quart bottles.	9 0
	All other sorts of wines not containing more than 42 per cent. of proof spirit:	Ditto.	4 8
	Provided that all sparkling and still wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to 'All other sorts of Spirit.'		
	SUGAR.		
34	SUGAR, all sorts including molasses and saccharine produce of all sorts, but excluding confectionery (see No. 123).	<i>Ad valorem</i>	25 per cent.
	OTHER FOOD AND DRINK.		
35	SALT, excluding salt exempted under No. 2	Indian maund of 82½ lbs. avoirdupois weight.	The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place.
	TOBACCO.		
36	TOBACCO, unmanufactured	Pound	1 0
37	CIGARS AND CIGARETTES	<i>Ad valorem</i>	75 per cent.
38	All other sorts of TOBACCO manufactured	Pound	2 4

SCHEDULE II—IMPORT TARIFF.

PART II—*contd.*

Articles which are liable to duty at special rates.

No.	Names of Articles.	Unit or method of assessment.	Rate of duty.
	II.—Raw materials and produce and articles mainly unmanufactured—		R A.
	COAL, COKE AND PATENT FUEL.		
39	COAL, COKE AND PATENT FUEL	Ton	0 8
	OILS.		
40	KEROSENE and MOTOR SPIRIT; also any mineral oil other than kerosene and motor spirit which has its flashing point below one hundred degrees of Fahrenheit's thermometer by Abel's close test. NOTE.—Motor spirit is liable to an additional duty of 6 annas per gallon under Act II of 1917, as amended by Act III of 1919.	Imperial gallon	Two annas and six pies.
41	MINERAL OIL which has its flashing point at or above two hundred degrees of Fahrenheit's thermometer, and is such as is not ordinarily used for any other purpose than for the batching of jute or other fibre, or for lubrication, and mineral oil which has its flashing point at or above one hundred and fifty degrees of Fahrenheit's thermometer, and is such as is not ordinarily used except as fuel or for some sanitary or hygienic purpose.	<i>Ad valorem</i>	7½ per cent.
	III.—Articles wholly or mainly manufactured—		
	ARMS, AMMUNITION AND MILITARY STORES.		
42	Subject to the exemptions specified in No. 12—		R
	(1) Firearms other than pistols, including gas and air-guns and rifles.	Each	15
	(2) Barrels for the same, whether single or double.	„	15
	(3) Pistols, including automatic pistols and revolvers.	„	15
	(4) Barrels for the same, whether single or double.	„	15
	(5) Main springs and magazine springs for firearms, including gas-guns and rifles.	„	5
	(6) Gun stocks and breech blocks	„	3
	(7) Revolver-cylinders, for each cartridge they will carry.	„	2
	(8) Actions (including skeleton and waster) breech bolts and their heads, cocking pieces, and locks for muzzle loading arms.	„	1
	(9) Machines for making, loading, or closing cartridges for rifled arms.	<i>Ad valorem</i>	30 per cent.
	(10) Machines for capping cartridges for rifled arms.	<i>Ad valorem</i>	30 per cent.

or 30 per cent. *ad valorem*, whichever is higher.

SCHEDULE II—IMPORT TARIFF.

PART II—*conold.*

Articles which are liable to duty at special rates.

No.	Names of Articles.	Unit or method of assessment.	Rate of duty.
	CHEMICALS, DRUGS AND MEDICINES.		R A.
43	Opium and its alkaloids and their derivatives.	Seer of 80 tolas .	24 0
	YARNS AND TEXTILE FABRICS.		
44	COTTON TWIST AND YARN, and COTTON SEWING OR DARNING THREAD.	<i>Ad valorem</i> . . .	5 per cent.
	MISCELLANEOUS.		
45	Matches—		R A.
	(1) In boxes containing on the average not more than 100 matches.	Per gross of boxes .	1 8
	(2) In boxes containing on the average more than 100 matches.	For every 25 matches or fraction thereof in each box, per gross of boxes.	0 6

BUDGET FOR 1922-23.

SCHEDULE II—IMPORT TARIFF.

PART III.

Articles which are liable to duty at $2\frac{1}{2}$ per cent. *ad valorem*.

No.	Names of Articles:
I.—Food, Drink and Tobacco—	
GRAIN, PULSE AND FLOUR.	
46	GRAIN AND PULSE, all sorts, including broken grains and pulse, but excluding flour (<i>see</i> No. 67).
PROVISIONS AND OILMAN'S STORES.	
47	VINEGAR in casks.
II.—Raw materials and produce and articles mainly unmanufactured—	
WOOD AND TIMBER.	
48	FIREWOOD.
III.—Articles wholly or mainly manufactured—	
CHEMICALS, DRUGS AND MEDICINES.	
49	COPPERAS, green.
METALS OTHER THAN IRON AND STEEL.	
50	LEAD sheets, for tea-chests.
MISCELLANEOUS.	
51	AEROPLANES, aeroplane parts, aeroplane engines and aeroplane engine parts.
52	PRINTING AND LITHOGRAPHING MATERIAL, namely, presses, type, ink, aluminium lithographic plates, brass rules, composing sticks, chases, imposing tables, and lithographic stones, stereo-blocks, wood blocks, half tone blocks, electrotpe blocks, roller moulds, roller frames and stocks, roller composition, standing screw and hot presses, perforating machines, gold blocking presses, galley presses, proof presses, arming presses, copper plate printing presses, rolling presses, ruling machines, ruling pen making machines, lead and rule cutters, type casting machines, type setting and casting machines, rule bending machines, rule mitreing machines, bronzing machines, leads, wooden and metal quoins, shooting sticks and galleys, stereotyping apparatus, metal furniture, paper folding machines, and paging machines, but excluding paper (<i>see</i> No. 98).
53	RACKS for the withering of tea leaf.
54	TEA-CHESTS of metal or wood, whether imported entire or in sections, provided that the Collector of Customs is satisfied that they are imported for the purpose of the packing of tea for transport in bulk.
55	FODDER, BRAN AND POLLARDS.

SCHEDULE II—IMPORT TARIFF.

PART IV.

Articles which are liable to duty at 10 per cent. *ad valorem*.

No.	Names of Articles.
	II.—Raw materials and produce and articles mainly unmanufactured—
	METALLIC ORES AND SCRAP IRON OR STEEL FOR RE-MANUFACTURE.
56	IRON OR STEEL, old.
	III.—Articles wholly or mainly manufactured—
	HARDWARE, IMPLEMENTS AND INSTRUMENTS.
57	TELEGRAPHIC INSTRUMENTS AND APPARATUS, and parts thereof imported by, or under the orders of, a railway company.
	MACHINERY.
58	MACHINERY, namely, prime-movers and component parts thereof, including boilers and component parts thereof; also including locomotive and portable engines, steam-rollers, fire engines, motor tractors designed for purposes other than agriculture, and other machines in which the prime-mover is not separable from the operative parts.
	MACHINERY (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire or other power not being manual or animal labour, or which, before being brought into use, require to be fixed with reference to other moving parts; and including belting of all materials for driving machinery:
	Provided that the term does not include tools and implements to be worked by manual or animal labour and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery, and are, owing to their shape or to other special quality, not adapted for any other purpose.
	<i>Note.</i> —This entry includes machinery and component parts thereof made of substances other than metal.
	METALS—IRON AND STEEL.
59	IRON, angle.
	„ bar, rod and channel, including channel for carriages.
	„ pig.
	„ rice bowls.
60	IRON OR STEEL, anchors and cables.
	„ „ beams, joists, pillars, girders, screw piles, bridge work and other descriptions of iron or steel, imported exclusively for building purposes; including also ridging, guttering and continuous roofing.
	„ „ bolts and nuts, including hook-bolts and nuts for roofing.
	„ „ hoops and strips.
	„ „ nails, rivets and washers, all sorts.
	„ „ pipes and tubes and fittings therefor, such as bends, boots, elbows, tees, sockets, flanges, and the like.
	„ „ rails, chairs, sleepers, bearing and fish-plates, spikes (commonly known as dog-spikes), switches and crossings, other than those described in No. 62, also lever-boxes, clips and tie-bars.
	„ „ sheets and plates, all sorts excluding discs and circles which are dutiable under No. 96.
	„ „ wire, including fencing wire, piano-wire and wire-rope, but excluding wire-netting which is dutiable under No. 96.
61	STEEL, angle.
	„ bar, rod, and channel, including channel for carriages.
	„ cast, including spring blistered and tub steel.
	„ ingots, blooms, billets and slabs.

BUDGET FOR 1922-23.

SCHEDULE II—IMPORT TARIFF—*contd.*PART IV—*contd.*Articles which are liable to duty at 10 per cent. *ad valorem*—*contd.*

No	Name of Articles.
	RAILWAY PLANT AND ROLLING-STOCK.
62	<p>RAILWAY MATERIALS for permanent-way and rolling-stock, namely, cylinders, girders, and other material for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chains, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, wagons, traversers, trollies, trucks, and component parts thereof, also the following articles when imported by, or under the orders of, a railway company, namely, cranes, water cranes, water tanks, and standards, wire and other materials for fencing :</p> <p>Provided that for the purpose of this entry ' railway ' means a line of railway subject to the provisions of the Indian Railways Act, 1890, and includes a railway constructed in a State in India and also such tramways as the Governor General in Council may, by notification in the Gazette of India, specifically include therein :</p> <p>Provided also that only such articles shall be admitted as component parts of railway material as are indispensable for the working of railways, and are, owing to their shape or to other special quality, not adapted for any other purpose.</p>
63	SHIPS AND OTHER VESSELS for inland and harbour navigation, including steamers, launches, boats and barges imported entire or in sections.

SCHEDULE II—IMPORT TARIFF.

PART V.

Articles which are liable to duty at 15 per cent. *ad valorem*.

No.	Names of Articles.
I.—Food, Drink and Tobacco—	
FISH.	
64	FISH, excluding salted fish (<i>see</i> No. 27).
65	FISHMAWS, including singally and sozille, and sharkfins.
FRUITS AND VEGETABLES.	
66	FRUITS AND VEGETABLES, all sorts, fresh, dried, salted or preserved.
GRAIN, PULSE AND FLOUR.	
67	FLOUR.
PROVISIONS AND OILMAN'S STORES.	
68	PROVISIONS AND OILMAN'S STORES AND GROCERIES, all sorts, excluding vinegar in casks (<i>see</i> No. 47).
SPICES.	
69	SPICES, all sorts.
TEA.	
70	TEA.
OTHER FOOD AND DRINK.	
71	COFFEE.
72	All other sorts of Food and Drink not otherwise specified.
II.—Raw materials and produce and articles mainly unmanufactured—	
GUMS, RESINS AND LAC.	
73	GUMS, RESINS AND LAC, all sorts.
OILS.	
74	All sorts of animal, essential, mineral, and vegetable non-essential oils not otherwise specified (<i>see</i> Nos. 40 and 41).
SEEDS.	
75	SEEDS, all sorts, excluding oil-seeds imported into British India by sea from the territories of any Prince or Chief in India (<i>see</i> No. 6).
TALLOW, STEARINE AND WAX.	
76	TALLOW AND STEARINE, including grease and animal fat, and wax of all sorts not otherwise specified.

SCHEDULE II—IMPORT TARIFF

PART V—*contd.*Articles which are liable to duty at 15 per cent. *ad valorem*.

No.	Names of Articles
TEXTILE MATERIALS	
77	TEXTILE MATERIALS, the following — Silk waste, and raw silk including cocoons, raw flax, hemp, jute and all other unmanufactured textile materials not otherwise specified
WOOD AND TIMBER	
78	WOOD AND TIMBER, all sorts, not otherwise specified, including all sorts of ornamental wood
MISCELLANEOUS	
79	CANES AND RATTANS
80	COWRIES and SHELLS
81	IVORY, unmanufactured.
82	PRECIOUS STONES, unset and imported cut (<i>see</i> No. 5).
83	All other raw materials and produce and articles mainly unmanufactured, not otherwise specified.
III.—Articles wholly or mainly manufactured —	
APPAREL.	
84	APPAREL, including diaphery, boots and shoes, and military and other uniforms and accoutrements, but excluding uniforms and accoutrements exempted from duty under No 11 and gold and silver thread (<i>see</i> Nos. 131 and 132), and articles made of silk (<i>see</i> No 133).
ARMS, AMMUNITION AND MILITARY STORES.	
85	EXPLOSIVES, namely, blasting gunpowder, blasting gelatine, blasting dynamite, blasting roburite, blasting tonite, and all other sorts, including detonators and blasting fuze.
CARRIAGES AND CARTS.	
86	CARRIAGES AND CARTS, including tram cars, motor-omnibuses, motor-louies, motor-vans, jinrikshas, bath-chairs, perambulators, trucks, wheel barrows, and all other sorts of conveyances and such component parts and accessories thereof, not otherwise specified, as are not also adapted for use as parts or accessories of motor-cars, motor-cycles, motor-scooters, bicycles or tricycles (<i>see</i> No. 126).
CHEMICALS, DRUGS AND MEDICINES.	
87	CHEMICALS, DRUGS AND MEDICINES, all sorts, not otherwise specified.
CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS.	
88	CUTLERY, excluding plated cutlery (<i>see</i> No. 128).
89	HARDWARE, IRONMONGERY AND TOOLS, all sorts, not otherwise specified.
90	All other sorts of IMPLEMENTS, INSTRUMENTS, APPARATUS AND APPLIANCES and parts thereof, not otherwise specified.
DYES AND COLOURS	
91	DYEING AND TANNING SUBSTANCES, all sorts, and paints and colours and painters' materials, all sorts.
FURNITURE, CABINETWARE AND MANUFACTURES OF WOOD.	
92	FURNITURE, CABINETWARE and all other manufactures of wood not otherwise specified.
GLASSWARE AND EARTHENWARE.	
93	GLASS AND GLASSWARE, lacquered ware, earthenware, china and porcelain; all sorts except glass bangles and beads and false pearls (<i>see</i> No. 130).

SCHEDULE II—IMPORT TARIFF.

PART V—*contd.*Articles which are liable to duty at 15 per cent. *ad valorem*.

No.	Names of Articles.
	HIDES AND SKINS AND LEATHER.
94	HIDES AND SKINS not otherwise specified, LEATHER AND LEATHER MANUFACTURES, all sorts, not otherwise specified
	MACHINERY
95	MACHINERY AND COMPONENT PARTS thereof, meaning machines or parts of machines to be worked by manual or animal labour, not otherwise specified (<i>see</i> Nos. 15, 16 and 18).
	METALS—IRON AND STEEL.
96	All sorts of IRON AND STEEL and manufactures thereof, not otherwise specified
	METALS OTHER THAN IRON AND STEEL
97	All sorts of METALS OTHER THAN IRON AND STEEL, and manufactures thereof, not otherwise specified.
	PAPER, PASTEBOARD AND STATIONERY
98	PAPER AND ARTICLES MADE OF PAPER AND PAPIER MACHÉ, PASTEBOARD, MILLBOARD, AND CARDBOARD, all sorts, and STATIONERY, including ruled or printed forms and account and manuscript books, drawing and copy books, labels, advertising circulars, sheet or card almanacs and calendars, Christmas, Easter, and other cards, including cards in booklet form, including also wastepaper and old newspapers for packing, but excluding trade catalogues and advertising circulars imported by packet, book, or parcel post (<i>see</i> No. 21).
	YARNS AND TEXTILE FABRICS.
99	YARNS AND TEXTILE FABRICS, that is to say — Cotton piece-goods, thread other than sewing or darning thread, and all other manufactured cotton goods not otherwise specified Flax, twist and yarn, and manufactures of flax. Haberdashery and millinery, excluding articles made of silk (<i>see</i> No. 133). Hemp manufactures. Hosiery, excluding articles made of silk (<i>see</i> No. 133). Jute, twist and yarn, and jute manufactures, excluding secondhand or used gunny bags (<i>see</i> No. 22). Silk yarn, noils and warps and silk thread. Woollen yarn, knitting wool, and other manufactures of wool, including felt. All other sorts of yarns and textile fabrics, not otherwise specified.
	MISCELLANEOUS.
100	ART, works of, excluding those specified in No. 23.
101	BRUSHES AND BROOMS.
102	BUILDING AND ENGINEERING MATERIALS, including asphalt, bricks, cement, chalk and lime, clay, pipes of earthenware, tiles, and all other sorts of building and engineering materials not otherwise specified.
103	CANDLES.
104	CINEMATOGRAPH FILMS.
105	CORDAGE AND ROPE AND TWINE OF VEGETABLE FIBRE.
106	FURNITURE, TACKLE AND APPAREL, not otherwise described, for steam, sailing, rowing and other vessels.

BUDGET FOR 1922-23.

SCHEDULE II—IMPORT TARIFF.

PART V—*concl'd.*

Articles which are liable to duty at 15 per cent. *ad valorem*.

No.	Names of Articles.
107	MATS AND MATTING.
108	OILCAKES.
109	OILCLOTH AND FLOOR CLOTH.
110	PACKING—ENGINE AND BOILER—all sorts, excluding packing forming a component part of any article included in Nos. 58 and 62.
111	PERFUMERY, not otherwise specified.
112	PITCH, TAR AND DAMMER.
113	POLISHES AND COMPOSITIONS.
114	RUBBER tyres and other manufactures of rubber, not otherwise specified (<i>see</i> No. 138).
115	SOAP.
116	STARCH AND FARINA.
117	STONE AND MARBLE, and articles made of stone and marble.
118	TOILET REQUISITES, not otherwise specified.
119	All other articles wholly or mainly manufactured, not otherwise specified.
	IV.—Miscellaneous and unclassified—
120	CORAL.
121	UMBRELLAS, INCLUDING PARASOLS AND SUNSHADES, AND FITTINGS THEREFOR.
122	All other articles not otherwise specified, including articles imported by post.

SCHEDULE II—IMPORT TARIFF.

PART VI.

Articles which are liable to duty at 30 per cent. *ad valorem*.

No.	Names of Articles.
	I.—Food, Drink and Tobacco.
123	CONFECTIONERY.
	II.—Articles wholly or mainly manufactured.
	ARMS, AMMUNITION AND MILITARY STORES.
124	GUNPOWDER FOR CANNONS, rifles, guns, pistols and sporting purposes.
125	Subject to the exemptions specified in No. 12 all articles other than those specified in entry No. 42 which are arms or parts of arms within the meaning of the Indian Arms Act, 1878 (excluding springs used for air-guns which are dutiable as hardware under No. 89), all tools used for cleaning or putting together the same, all machines for making, loading, closing or capping cartridges for arms other than rifled arms and all other sorts of ammunition and military stores, and any articles which the Governor General in Council may, by notification in the Gazette of India, declare to be ammunition or military stores for the purposes of this Act.
	CARRIAGES AND CARTS.
126	MOTOR CARS, motor cycles, motor scooters, bicycles and tricycles and articles adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for purposes other than as parts and accessories of motor vehicles included in this item or in No. 86 or of bicycles or tricycles shall be dutiable at the rate of duty specified for such articles.
	CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS.
127	CLOCKS AND WATCHES AND PARTS THEREOF.
128	ARTICLES PLATED WITH GOLD AND SILVER
129	MUSICAL INSTRUMENTS.
	GLASSWARE AND EARTHENWARE.
130	GLASS BANGLES and BEADS and false pearls.
	METALS.
131	GOLD PLATE, gold thread and wire, and gold manufactures, all sorts.
132	SILVER PLATE, silver thread and wire, and silver manufactures, all sorts.
	YARNS AND TEXTILE FABRICS.
133	SILK PIECE-GOODS, and other manufactures of silk.
	MISCELLANEOUS.
134	FIRE-WORKS.
135	IVORY, manufactured.
136	JEWELLERY AND JEWELS.
137	PRINTS, engravings and pictures, including photographs and picture postcards.
138	PNEUMATIC RUBBER TYRES AND TUBES for motor cars, motor lorries, motor cycles, motor scooters, bicycles and tricycles.
139	SMOKERS' REQUISITES, excluding tobacco (Nos. 36 to 38) and matches (No. 45).
140	TOYS, games, playing cards and requisites for games and sports, including bird-shot.

BUDGET FOR 1922-23.

SCHEDULE II.

Schedule to be inserted in the Indian Post Office Act, 1898.

(See section 5.)

"THE FIRST SCHEDULE.

INLAND POSTAGE RATES.

(See section 7.)

Letters

For a weight not exceeding two and a half tolas	One anna.
For every two and a half tolas, or fraction thereof, exceeding two and a half tolas	One anna

Postcards

Single	Half an anna.
Reply	One anna.

Book, Pattern and Sample Packets

For every five tolas or fraction thereof	Half an anna
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Registered Newspapers.

For a weight not exceeding eight tolas	Quarter of an anna.
For a weight exceeding eight tolas and not exceeding twenty tolas	Half an anna
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Half an anna.

Parcels.

For a weight not exceeding twenty tolas	Two annas.
For a weight exceeding twenty tolas and not exceeding forty tolas	Four annas.
For every forty tolas, or fraction thereof, exceeding forty tolas	Four annas."

SCHEDULE III.

(See section 7.)

PART I.

Rates of Income-tax.

	Rate.
A. In the case of every individual, every unregistered firm and every undivided Hindu family—	
(1) When the total income is less than Rs. 2,000	Nil.
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000	Five pies in the rupee.
(3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000	Six pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000	Nine pies in the rupee.
(5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000	One anna in the rupee.
(6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000	One anna and three pies in the rupee.
(7) When the total income is Rs. 40,000 or upwards	One anna and six pies in the rupee.
B. In the case of every company, and every registered firm, whatever its total income	One anna and six pies in the rupee

PART II.

Rates of Super-tax.

In respect of the excess over fifty thousand rupees of total income —

	Rate.
(1) in the case of every company	One anna in the rupee.
(2) (a) in the case of every Hindu undivided family—	
(i) in respect of the first twenty-five thousand rupees of the excess,	Nil.
(ii) for every rupee of the next twenty-five thousand rupees of such excess	One anna in the rupee.
(b) in the case of every individual and every unregistered firm, for every rupee of the first fifty thousand rupees of such excess	One anna in the rupee.
(c) in the case of every individual, every unregistered firm and every Hindu undivided family—	
(i) for every rupee of the second fifty thousand rupees of such excess	One and a half annas in the rupee
(ii) for every rupee of the next fifty thousand rupees of such excess	Two annas in the rupee.
(iii) for every rupee of the next fifty thousand rupees of such excess	Two and a half annas in the rupee.
(iv) for every rupee of the next fifty thousand rupees of such excess	Three annas in the

	Rate.
(v) for every rupee of the next fifty thousand rupees of such excess . . .	Three and a half annas in the rupee.
(vi) for every rupee of the next fifty thousand rupees of such excess . . .	Four annas in the rupee.
(vii) for every rupee of the next fifty thousand rupees of such excess . . .	Four and a half annas in the rupee.
(viii) for every rupee of the next fifty thousand rupees of such excess . . .	Five annas in the rupee.
(ix) for every rupee of the next fifty thousand rupees of such excess . . .	Five and a half annas in the rupee.
(x) for every rupee of the remainder of the excess . . .	Six annas in the rupee.

STATEMENT OF OBJECTS AND REASONS.

1. The object of this Bill is to provide the additional resources referred to in my speech introducing the Budget for 1922-23 and to continue certain provisions of the Indian Finance Act, 1921 (VI of 1921), which would otherwise cease to have effect from the 1st April, 1922.

2. Clause 2 of the Bill provides for the raising of the salt duty from Re. 1-4 to Rs. 2-8 per maund.

3. Clause 3 substitutes a revised tariff schedule. The substantive changes made are:—

- (1) The raising of the general *ad valorem* import duty of 11 per cent. to 15 per cent.
- (2) The raising of the specific import duty of 20 per cent. in the case of certain articles of luxury to 30 per cent.
- (3) The raising of the import duty on machinery, iron and steel and railway material from $2\frac{1}{2}$ per cent to 10 per cent.
- (4) The raising of the import duty on sugar from 15 per cent. to 25 per cent.
- (5) The raising of the import duty on matches from 12 annas per gross boxes to Re. 1-8 per gross boxes.
- (6) The withdrawal of yarn from the free list and the levy of an *ad valorem* duty of 5 per cent thereon.
- (7) Increase of the duty on all alcoholic liquors (except wines and denatured spirits) by approximately 20 per cent.
- (8) Increase in the duty on imported petroleum from $1\frac{1}{2}$ annas to $2\frac{1}{2}$ annas per gallon.

4. Clause 4 provides for the enhancement of the excise duty on cotton manufactures from $3\frac{1}{2}$ per cent. to $7\frac{1}{2}$ per cent.

5. Clause 5 lays down new rates of postage, the changes being—

- (i) abolition of the present rates of $\frac{1}{2}$ anna and 9 pies for letters, the minimum in future being one anna for letters not exceeding $2\frac{1}{2}$ tolas in weight and one anna for every additional $2\frac{1}{2}$ tolas or fraction thereof, and
- (ii) raising to half anna the $\frac{1}{4}$ anna postcard.

6. Clause 6 imposes an excise duty of 1 anna per gallon on kerosene produced in India, corresponding to the increase in the import duty referred to in paragraph 3 (8) above.

7. Clause 7 contains the rates of income-tax and super-tax proposed for the year. The only changes in ordinary income-tax are the raising of the rate for incomes between Rs. 30,000 and Rs. 40,000 from 14 pies to 15 pies, and the rate for incomes of Rs. 40,000 and over from 16 pies to 18 pies.

There are no changes in the rates of super-tax up to the present maximum of 4 annas for incomes over $3\frac{1}{2}$ lakhs; thereafter there is a progressive application of the same principle till the new maximum of 6 annas is reached; so that the new rates introduced are as follows:—

- (a) in respect of the 1st fifty thousand rupees of taxable income over 4 lakhs $4\frac{1}{2}$ annas in the rupee.
- (b) in respect of the 2nd fifty thousand rupees of taxable income over 4 lakhs 5 annas.
- (c) in respect of the 3rd fifty thousand rupees of taxable income over 4 lakhs $5\frac{1}{2}$ annas.
- (d) in respect of all taxable income over $5\frac{1}{2}$ lakhs of rupees 6 annas in the rupee.

8. Clause 8 repeals the Freight Tax Act XIII of 1917. The existing rates of surtax were imposed for the year 1921-22 by section 4 of the Indian Finance Act, 1921. The surtax will be replaced by increased rates on goods traffic on railways from the 1st April, 1922, and in consequence no surtax will be levied from that date. It is necessary, however, for this purpose to repeal Act XIII of 1917, as otherwise the rates originally imposed by that Act would come into force when section 4 of the Indian Finance Act, 1921, ceases to operate.

9. The changes mentioned in paragraphs 2, 3, 4 and 6 are intended to come into effect from the 1st March, 1922; the rest from April 1st. The Bill provides that the changes mentioned in paragraphs 2, 5 and 7 shall remain in force till the 31st March, 1923.

W. M. HAILEY.

The 28th February 1922.

**PROCEEDINGS OF THE COUNCIL OF STATE ASSEMBLED
UNDER THE PROVISIONS OF THE GOVERNMENT OF
INDIA ACT.**

Wednesday, the 1st March, 1922.

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

BUDGET FOR 1922-23.

The HONOURABLE MR. E. M. COOK: Sir, I rise to present the Revised Estimates of the current year and the Budget Estimates of revenue and expenditure for next year. I am quite sure, Sir, that the Council will join with me in regretting that, owing to the limitations to which the human body is subject, it is impossible for the Honourable Finance Member to be in two places at once; and, if I may be permitted a reflection of my own, it is this: I think that it is a pity that the procedure of the Indian Legislature does not admit, on an occasion like this when there is no discussion, of a joint sitting of the two Houses, so that the Finance Member could present his Budget to both branches of the Legislature. ('Hear', 'hear.') However, Sir, among the various statements, estimates, and so forth, that I am now about to present, Honourable Members will find a copy of the *Budget Speech which Sir Malcolm Hailey is now addressing to the other House. It is, therefore, unnecessary, and I think undesirable, that I should interpose any lengthy remarks of my own between the presentation of these papers and their perusal by Honourable Members. It may, however, be of some little convenience to Honourable Members if I indicate extremely briefly the more salient facts of the Central Government's financial position as set forth in the Budget speech. I shall not attempt to comment thereon or to give any lengthy exposition of the figures. I propose merely to indicate, in as few words as possible, broadly and without any elaboration, firstly, the important facts, and secondly, the proposals of Government for the coming year. What I shall say will indeed be very little more than a recitation of a table of contents of the Finance Member's speech, which will be in Honourable Members' hands in a few minutes. I pass now, without any further remarks, to the actual figures. The Council will perhaps remember that for the current year we budgetted for a revenue of 128½ crores as against an expenditure of 127½ crores, leaving a small surplus of about Rs. 71 lakhs. We budgetted in an atmosphere of some depression, but we certainly did not anticipate or provide for the very great stagnation of trade that the current year has witnessed. In the event, we now estimate in the current year a revenue of Rs. 108 crores, that is, some 20½ crores less than the revenue budgetted for. On the other hand, we expect to incur an expenditure of about Rs. 142 crores, i.e., 14½ crores in excess of the budgetted expenditure. Altogether therefore, we anticipate a deficit in the current year of Rs. 34 crores. The deficiency of Rs. 20 crores in revenue is mainly accounted for under the heads of Customs and Railways. Honourable Members will find some details about the other heads in the speech, and I do not think I need deal with them here. Under Customs we expect a falling off of Rs. 4½ crores, which would have been, I may say, very much worse but for the enormous imports of sugar. Under Railways, we expect a total worseness on the Budget of no less than Rs. 13 crores, made up of a worseness of Rs. 4 crores in traffic receipts, the remainder being accounted for by a very heavy increase in working expenses. As regards the worseness of Rs. 14½ crores under expenditure, 2 crores of this is accounted for by an increase in interest charges, due to our larger rupee and sterling loans. As regards military expenditure, the necessity for the continuation of operations in Waziristan has resulted in an expenditure of 6½ crores thereon as against the 3 crores provided for in the Budget. Still, in spite of this excess of 3½ crores in Waziristan, it has been found possible by various economies to keep the excess on the whole military Budget down to 2½ crores; that is to say, we expect the military expenditure in the current year to stand at Rs. 65 crores as against the Budget figure of 62½ crores.

As regards Exchange, the non-attainment of the Budget assumption of an average rate of 1s. 8d. means a worseness of a little over 9 crores. Of that 9 crores, Honourable Members will find, when they examine the

*Published in the Gazette of India Extraordinary of 1st March 1922.

statement, that about 5½ crores are shown adjusted under the head 'Exchange', while the remainder appears in the accounts of the commercial departments, Railways, Posts and Telegraphs, and so forth, i.e., their Home expenditure has cost them more.

This, Mr. President, is the fourth consecutive deficit. In 1918-19, the deficit was 6 crores; in 1919-20, mainly due to the Afghan War, it was 24 crores; our final accounts for 1920-21, which have only just been made up, show a deficit for that year of 26 crores. When you add to that the 34 crores deficit in the current year, it will be seen that our expenditure has exceeded our revenues during the past four years by a total amount of 90 crores.

I now proceed to give a very brief summary of the Budget estimates for next year. In making our estimates we have assumed some slight improvement in trade as compared with the current year, though not any really substantial return to normal conditions. On the basis of the present taxation we estimate a revenue of 110½ crores, that is, 2½ crores more than the current year; this includes the full provincial contributions of 920 lakhs. I do not think I need give details about the estimates of revenue. Honourable Members will find these given in the speech. As regards our expenditure, there are very few variations in the ordinary civil departments, practically all new expenditure having been definitely debarred. Honourable Members will notice, however, that we are making a large provision for working expenses on Railways.

For the purpose of these estimates, sterling has been converted into rupees at an average rate of 1s. 4d. That is not a prophecy; it is merely an assumption; for the purposes of the Budget we have to make some sort of assumption, and that is, we think, as things are at present, as good an assumption as the ordinary business-man would make. The military Budget of next year is 62 crores 18 lakhs, that is, just slightly, a few lakhs, below the current year's Budget, although Honourable Members will observe from the speech that the provision entered for Waziristan can only be regarded as tentative—it is quite impossible to say what our operations there are going to cost, and it is possible that these may lead to some excess. Altogether, then, the total expenditure budgetted for for next year is 142½ crores, which would leave a deficit of 31½ crores.

I must invite the Council to consider with very great care and to give their very anxious consideration to what the Honourable the Finance Member says where he discusses the various possible ways of meeting this deficit. It is obvious, when one thinks about it, that there are, in theory, three possible ways of meeting the situation. In the first place, one could in theory budget for a deficit for the whole or part of that amount. In the second place, we could, again in theory, attempt to reduce our expenditure and to bring it down nearer the level of our revenues. In the third place, we can increase our revenues. The Council will observe that these three theoretically possible courses could be applied either separately or in combination. One of the problems which this Council has to consider, and which Government have been anxiously considering, is whether it would be desirable and even if desirable, whether it would be practicable, to leave the whole or even the greater part of this deficit of 31½ crores uncovered. Now in considering this matter there are two points of the most vital importance. The first point is this: Can it be said that this deficit that we have to face is due to transient causes? Can it be said that, if we sit tight, better times will come, and that, as our revenues expand, and provided we keep a tight hold on our expenditure, may expect equilibrium to be reached? I am afraid, Mr. President, that that view cannot be taken. I challenge any one to take such a view. I do not mean to imply that either the current year's deficit of 34 crores or next year's deficit of nearly 32 crores is to be taken as the measure of the permanent gap that exists between the revenue and expenditure of the Central Government. I assume that, as our frontier commitments are liquidated, that part of our military expenditure which we classify as abnormal, and which I have mentioned this morning, will gradually disappear. I also assume that our revenues would very readily react to a really good revival of trade. But after making every possible assumption of this nature, I do not think it can be said that, if things are left to themselves, equilibrium will be obtainable within a measurable time. We have to remember that we have before us a certain loss of revenue in the shape of the provincial contributions, which we are committed to reduce and gradually to abolish on the slightest sign of any betterment in the Central Government's position. Altogether, I think it must be admitted that the position has got to be faced. Then there is a second point, of cardinal importance in this matter, how have these deficits been financed? These 90 crores of deficits for the past four years, where did the money come from? Of that 90 crores, about 37 crores have been obtained by the issue of fiduciary currency notes, that is to say, notes the only backing of which are our own I. O. U's. A further 47 crores will have

been found by incurring floating debt in the shape of Treasury Bills, while the remaining six crores will have been taken from the proceeds of our regular annual borrowings. I do not wish to elaborate this point too much, because I am sure Honourable Members themselves are perfectly well aware that our position as regards the floating debt is an anxious one, and that our Treasury Bill outstandings are already dangerously high. This is a matter of experience. The events of the past month or two in India have shown perfectly plainly, I claim, to every observer that we cannot substantially increase our floating debt, and also that it is with the utmost difficulty that we can even maintain the present level. We have been obliged to force up money rates, and the tighter we have made money the more trade asks for money; and so we go on in this sort of vicious circle, and it is not too much to say that we have practically got to the end of our resources as regards the financing of deficits by our floating debt. The conclusion to which Government have come, is that the inevitable result of attempting to finance again deficits of this sort would be to force us to large issues of unbacked currency notes, and I am quite sure that Council will agree that the effect of such inflation upon the general level of prices and on the credit of the country would be extremely serious. The second alternative is reduction in expenditure. The Council will see from the details of the Budget that in the Civil Departments we have cut out all new expenditure which cannot be proved to be absolutely necessary. We cannot claim that further reductions are impossible, and the Honourable the Finance Member is to-day announcing in another place the appointment of a Committee of Retrenchment. But the field for retrenchment is small, and it would not be safe for Budget purposes to rely on any really material relief there from retrenchment.

The third course is to increase our revenues. We can increase our revenues in two ways: firstly, by ensuring that our commercial departments pay their way, or at any rate, are not a burden upon the general tax-payer, and, secondly, by increasing taxation. As regards our commercial departments, in the current year the Railways, after including the proceeds of the surtax, show for the first time for many years a working loss, after paying interest charges of $2\frac{1}{2}$ crores. We estimate that next year, even after allowing for the increase in goods rates which will have effect from April 1st they will still be working at a loss of over a crore. It is proposed therefore to increase passenger fares by approximately 25 per cent. yielding an additional revenue of 6 crores. As regards the Post and Telegraph Department, in the current year this is working, after making all the necessary adjustments, at a loss of not less than 90 lakhs, and we estimate that next year, if no change be made in the rates, there would be a loss of at least 80 lakhs. It is proposed, therefore, to repeat the proposals of last year, which were not accepted by the Legislature, and to raise to half an anna the quarter anna post card, and, secondly, to abolish both the half anna and nine pies rate for letters (which I may say has brought in practically nothing) making the charges in future one anna for letters not exceeding $2\frac{1}{2}$ tolas in weight and one anna for every additional $2\frac{1}{2}$ tolas, bringing in an increased revenue of 160 lakhs. These changes in the Commercial Departments will altogether bring in, we estimate, an increased revenue of 760 lakhs, thereby reducing the estimated deficit from 31 crores 76 lakhs to 24 crores 16 lakhs.

I now come to the proposals for additional taxation. I shall mention these without any comment, and without attempting to arrange them in any order of unpopularity. As regards Customs, Government propose to obtain nearly 15 crores more from this source. It is proposed to raise to 15 per cent. the import duty on all articles now assessed to 11 per cent, and at the same time to increase the cotton excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. The combined effect of these two measures will be an increased revenue of 5 crores and 45 lakhs. Secondly, it is proposed to raise from $2\frac{1}{2}$ to 10 per cent. the present import duty on machinery, iron and steel and railway material, yielding an extra revenue of 4 crores, 5 lakhs. Thirdly, it is proposed to increase the duty on imported sugar from 15 to 25 per cent, giving an increased revenue of 2 crores. Fourthly, we propose to raise the specific duty of 12 annas per gross boxes of matches to Rs. 1-8-0, which would give an estimated increased revenue of 95 lakhs. Fifthly, we propose to impose an excise duty of 1 anna per gallon on kerosine produced in India, with a corresponding increase in the duty on imported petroleum, namely, from $1\frac{1}{2}$ to $2\frac{1}{2}$ annas per gallon, the extra revenue which we hope to get from these two measures will be 90 lakhs. Sixthly, it is proposed to remove yarn from the free list and to impose an import duty of 5 per cent, which will yield a revenue of half a crore. Seventhly, it is proposed that the articles which are assessed at the highest rate of the tariff should, in future, be assessed to 30 per cent. instead of 20 per cent, yielding an extra revenue of 75 lakhs. Finally, as regards alcoholic liquors, the customs returns show that any attempt to increase the import duty on wines would probably result in an actual loss of revenue. As regards ale and beer, liqueurs and spirits, although Government would for some reasons prefer

to wait for another year, they feel that they cannot afford to neglect any possible increase of revenue, and it is accordingly proposed to increase the import duty on these particular alcoholic liquors by approximately 20 per cent., yielding an extra revenue of 30 lakhs. Altogether the total of these increases in Customs is 14,90 lakhs, and the extra revenue during the month of March is likely to be 80 lakhs. This will still leave an uncovered deficit of about $9\frac{1}{4}$ crores. Government propose to make a further call on the payers of income-tax and super-tax. They do not propose to effect any alteration in the rate of income-tax payable by persons whose incomes do not exceed Rs. 30,000 a year, but it is proposed to raise the rate on incomes between Rs. 30,000 and Rs. 40,000 from 14 to 15 pies, and on incomes above Rs. 40,000 from 16 to 18 pies. As regards super-tax, it is proposed to regrade the higher rates, working up in the manner shown in the Schedule to the Finance Bill (which will shortly be in Honourable Members' hands) to the highest rate of 6 annas, as against the existing highest rate of 4 annas. The combined effect of these Income-tax and Super-tax measures will be to produce an extra revenue of $2\frac{1}{4}$ crores.

Finally, Government consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our ultimate reserve. It is proposed to increase the duty from Rs. 1-4-0 to Rs. 2-8-0 a maund. This is estimated to produce 5 crores a year, but in the first year, owing to the existence of the credit system of sales, it is not likely to exceed 430 lakhs.

The total extra revenue obtainable from the measures that I have mentioned, including those regarding Railways, Posts and Telegraphs is estimated at slightly over 29 crores next year. It will still leave an uncovered deficit of $2\frac{3}{4}$ crores, together with any extra liability that may fall on us in respect of Waziristan. Government consider that the existence of any uncovered deficit is, in present circumstances, a matter for anxiety. They have not felt, however, justified in proposing taxation to a greater extent than I have mentioned.

I will deal very shortly, Sir, with our Ways and Means figures. This is a rather technical part of the Budget, but always a very important one, and on the present occasion it is of more than usual importance, because there is more than the usual connection between our Ways and Means and Revenue accounts. I need not give full details of our Ways and Means operations in the current year. I will only say that they show that we are obviously approaching the end of our resources as regards financing deficits. Thus, during the current year we have had to meet liabilities of 90 crores, one-third of which has been due to the Central Government's own deficit, while $12\frac{1}{4}$ crores has been due to the Provincial Governments' deficits or drawing on their balances, so that half our total liabilities on the Ways and Means side has been due to the necessity for finding money to finance deficits. As regards next year, the total liabilities will amount to about 58 crores, which include 30 crores for railway capital outlay and $3\frac{1}{2}$ crores for Delhi and Telegraph capital outlay. I do not think I need give details of the way in which we propose to meet those liabilities, except to say that we have entered in the Estimates a rupee loan of 25 crores and sterling borrowing of about £17½ millions, £2 millions of which will however represent the final instalments of the last loan of £10 millions. Government do not however bind themselves to distribute their total borrowings between rupee and sterling in any particular proportion.

The most important point as regards the financial events of next year is the Secretary of State's own position, and I draw particular attention to what the Finance Member has said as regards the methods that may have to be adopted for putting the Secretary of State in funds next year. After various recoveries from the Home Government, and assuming that he is going to borrow £17½ millions in sterling, the Secretary of State will still require to be put in funds to the extent of £18 millions; and the problem as to how he is to be put in funds to that extent by means of remittances from India, has a very very important bearing upon the financial arrangements for next year. There are only two ways in which he can be put in funds. One is by his drawing on the sterling reserves, and the other by the sale of Councils. I do not wish to detain the Council with any remarks about these two methods, except to indicate the importance of this particular problem and its bearing upon money and exchange conditions in India throughout the year.

I do not think I need detain the Council with any more figures or explanations. I have said enough to show, Sir, that the problem before the country is a grave one, but I feel sure, whatever views may be taken as to the particular methods Government propose for meeting it, that at any rate this Council will consider Government's proposals with that high sense of responsibility that has always characterized its deliberations.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED
UNDER THE PROVISIONS OF THE GOVERNMENT OF
INDIA ACT.**

Monday, 6th March, 1922

The Assembly met in the Assembly Chamber at Eleven of the Clock.
Mr. President was in the Chair.

The Honourable Sir William Vincent (Home Member) Sir, I have been asked by the Honourable Sir Malcolm Hailey to make an apology to the House on his behalf to-day. He was taking,—what all Members of the Assembly will readily recognise was much needed—a week end holiday away from Delhi and unfortunately missed connection somewhere on his return journey. He will however arrive by mid-day and he has telegraphed to me asking me to apologise to the House on his behalf for his absence.

Further, Sir, I also wish to mention that I have received a Message from His Excellency which, on behalf of my Honourable Colleague, I will make over to you, if I may, for communication to the House.

**MESSAGE FROM HIS EXCELLENCY THE GOVERNOR
GENERAL.**

Mr. President : I have received the following Message from His Excellency the Governor General :

' In pursuance of the provisions of sub-section (3) of section 67-A of the Government of India Act, I hereby direct that the heads of expenditure specified in that sub-section shall be open to discussion by the Legislative Assembly when the Financial Statement is under consideration.

(Sd.) *READING,*

Governor General.'

TIME-LIMIT FOR SPEECHES IN BUDGET DEBATE.

Mr. President : Under rule 46, I appoint twenty minutes as the time-limit for speeches on this day.

GENERAL DISCUSSION ON THE BUDGET.

FIRST STAGE.

Mr. Harchandrai Vishindas (Sind : Non-Muhammadan Rural) : While regretting the absence of the Honourable the Finance Member, I must say that it is impossible to withhold our meed of admiration from the excellent manner of his presentation of the Financial Statement in the midst of the most arduous difficulties that he had to contend with in this most disastrous year; and it is also our bounden duty to record our sense of appreciation of the courageous manner in which, according to his own lights of course, he has taken the bull by the horns and suggested what he himself feels to be a distasteful and unpopular measure of extra taxation. But while, Sir, I make these remarks, I have exhausted the bright side of the picture. I must inform you, that it would be impossible for the major portion of the Assembly, if I understand correctly, to accept the crushing burden of taxation that is proposed to be imposed under the present Budget. Now, salt is taxed; cloth is taxed; matches are taxed; kerosene oil is taxed; post is taxed and railway fares are increased. All these are items which directly affect the poor. Members will remember that last year when we accepted this heavy taxation, it was with the object of making the path smooth for Government in the first year of our existence. But, at the same time, I think it was the understanding of almost every elected Member that this burden would not be repeated next year,—and that was the keynote of the proposal that the fresh taxation should be only for one year and, if it was intended to be repeated, a fresh Act would have to be passed. That being so, it was the sense of the country that the end of the tether had been reached by shouldering those burdens of last year's taxation. The result of accepting the fresh taxes that are now proposed

would be the starvation and ruin of the country, especially of the poor people. I think, Sir, it is recognized that in every scheme of taxation it should be borne in mind that the poorest should be as much exempted and kept apart as possible, and especially the poor of this country, who are living from hand to mouth, who only enjoy one meal a day. Therefore, I record my strong dissent against these taxes, —taxes on salt, taxes on cloth, kerosene, matches, and machinery, increase of postage and Railway fares. Now it has been suggested in the Financial Statement of the Honourable the Finance Member that as salt will cost only three annas per head in the year, it will not be felt; but it is forgotten that it is not the question of salt alone, but when you combine salt with kerosene oil, and matches which are required by the people for lighting purposes, and cloth which is a great necessity for covering the body and will be affected by excise duty, all these things put together do constitute a very heavy burden on the poor. Now, I will not trouble the House with any consideration of other items, namely, post which might not be a necessity of the poor, or machinery, or railway fares. It might be said that railway fares would be borne by such people as can travel, and only such people should travel as have the means. However, so far as machinery is concerned, its taxation will affect the development of industries and commerce, and is therefore objectionable. I do not propose to touch the taxation on liquors or other classes of luxuries as such taxation is a perfectly legitimate source of revenue. Whilst on this subject, we might accept all the conditions prevailing in the country which have been assigned by the Finance Member as causing this unfortunate state of things, namely, the general world depression in trade, the loss by exchange, the losses in our commercial departments like the railways, posts and telegraphs, and the heavy working expenses. But whilst admitting all these things, what does it come to? I am strongly of the opinion that, in spite of all that has been urged in the Budget speech of the Honourable Finance Member, there is great room for the curtailment of expenses. Now I may revert to the propriety of taxing the poor man in the manner I have detailed. What has been the poor man's capacity during the last five years? Surely it has been diminishing by degrees, and you can very easily realize this from the fact that the purchasing power of the rupee has also greatly diminished; and then you have to take into consideration the fact that people have not to pay merely the Central Government's taxes, but also to pay the Provincial taxes, and, in addition, to pay municipal taxes. When all these factors are taken into consideration, a very strong case is made out for opposing the whole scheme of taxation, or at least the major portion of it that I have referred to, that is proposed. Then, there is also another consideration. While you are raising, for instance, the customs duties, care should be taken to ascertain whether this will not recoil the other way, as has been pointed out in several instances in the Finance Member's speech. When you are imposing fresh taxation on an article, you must be careful to see that it will not result in the diminished import of that article and thereby not give you any advantage but only give you the disadvantage of having higher taxes but less revenue—what in technical language is called the law of diminishing returns. I am afraid that, although the Honourable the Finance Member has taken in this connection an optimistic view, he will experience in the end that this doctrine will work out, and in several cases expectations that are now being formed in the Financial Statement will not be realized; on the contrary, he will find that he has committed a mistake in imposing taxes upon those particular articles. Now where is this process going on to from year to year? Therefore, the only alternative that we can resort to is a very sweeping curtailment in expenditure, both civil and military. Now while it has been suggested that curtailment in civil expenditure is possible, it is at the same time said that the scope there is very limited, because civil expenditure extends only to 20 crores, and, even if you reduce it by 10 per cent, you will be making a saving of only 2 crores, but, if curtailment in civil expenditure is possible, why should it not be admitted that on the military side of the expenditure also it is possible? Unfortunately, from time to time, year in and year out, in spite of our repeated protests which date so far back as 20, 30 or 40 years, a definite *non possumus* has been offered by Government to any retrenchment or economy in military expenditure. Well, up to now Government have been able, have succeeded in offering a strong barrier to any suggestions for retrenchment, but I think now the time has arrived when that policy ought to be entirely changed.

I have very strong reasons for urging that there is no occasion for the country to incur the military expenditure that the Government is incurring. Before the war, there was some necessity for the maintenance of a large army. We know that there was the constant menace of foreign aggression. The Russian bogey always stared us in the face, and the people, willingly or

unwillingly, submitted to being heavily taxed in order to secure the safety of the country. But that Russian bogey does not exist now. Then we have the Waziristan question, and although the operations in Waziristan do not cover the whole field of military expenditure, I think the best course is to leave Waziristan alone. I do not think that experience has taught us that we gain anything at all by the pursuance of this 'Forward policy'. This is very old history. I have some recollection of the second Afghan War in 1878. At the conclusion of the war, the Government were only too anxious to get rid of the whole business of meddling with Afghanistan. They wanted to drop it like a hot potato because their hands were burning, and several schemes were broached to 'scuttle out of Afghanistan', as the phrase then went. And after all, they were providentially able to get hold of Amir Abdur Rahman to take over Afghanistan from them. And that has always been the result at which this forward policy has arrived, and it ought to be abandoned for ever and the heavy military expenditure incurred thereon saved. I do not think it is justifiable to retain Waziristan or to carry on any operations in Waziristan, because the gain is very little and the cost is so heavy. I dare say the Members of this House, or a large part of them, must have read the excellent article which recently appeared in the '*Times of India*', which gave very cogent reasons with which I entirely agree—for the abandonment of Waziristan altogether.

In the days of Lord Ripon, after the second Afghan War, a non-forward policy was adopted, and it led to peace and prosperity. Then, unfortunately, Lord Curzon introduced the policy of placating the tribes by subsidies and this rebounded upon us with disastrous consequences during the recent Afghan War. All these things indicate that this forward policy should be abandoned altogether and that we should confine our activities within the limits of our own frontier. We have already got sufficient internal commitments and matters to occupy our attention and it cannot pay to multiply our obligations by going outside our frontiers.

There is another factor which has also contributed for a long time to this heavy military expenditure and that is the amalgamation of British with Indian troops after the mutiny of 1857. I will advert to that point later on and will now quote some figures to show how enormously our expenditure on the military side has increased. In 1899-1900, out of a total revenue of 39·760 crores, military expenditure amounted to 15·375 crores. As against that, in 1919, out of a revenue of 86·324 crores, the military expenditure was 44·480. So that, while the net increase in revenue was 46 odd crores, or 117 per cent., the increase in military expenditure was 29 crores or 190 per cent. Now, if we consider the ratio of military expenditure to revenue, we find that in 1899-1900, it was 38·66 per cent.; whereas in 1919-20, it was 51·52 per cent. This shows that the ratio has also been steadily increasing. Now, let us take the ratio of military expenditure to net taxation and we get these figures. In 1899-1900, military expenditure was 15·376 crores, while taxation was 18·174 crores, the resulting ratio being 84·60. In 1919-20, military expenditure was 44·480 crores and taxation was 40 crores, and the ratio was 108·15 per cent. This shows that in the last-mentioned year, the whole of the taxation and something more was absorbed in military expenditure. Then, Sir, if we calculate the ratio of military expenditure to all other sources of net Imperial revenue save taxation, which amounts to 45·461 crores, it works out to 93 per cent. Thus, this Octopus of military expenditure has been eating away our very vitals. While, as I have shown, in 1899-1900, military expenditure was 15 crores, it rose in 1919-20 to 44 crores. Last year, it was no less than 62 odd crores, besides the Waziristan and Demobilization charges, and this year also it is about the same. Now, in view of the fact, to which I have referred, that the Russian bogey and the consequent fear of foreign aggression no longer exists, there is no justification for the maintenance of a huge army at a ruinous cost at the expense of the poor of this country. It might, however, be said that this is merely destructive criticism and I might be asked why I do not put forward constructive proposals as to the directions in which this military expenditure can be reduced. Such a criticism might be justified if I stopped here and did not go on to formulate some constructive proposals. Well, Sir, I have some constructive proposals to make and the first relates to the fact that the cost of the British soldier is five times as much as that of the Indian soldier. At one time, the expense of maintaining seven Indian soldiers was the same as the expense of three British soldiers. Later, the cost of maintaining one British soldier was equal to that for four Indian soldiers, and now one British soldier costs as much as five Indian soldiers. I will refer you, Sir, to page 15 of the Military Estimates in corroboration of this, from which it will be seen that 65,000 odd British soldiers cost altogether 10·18 crores; whereas 185,000 Indian soldiers cost altogether only 5 crores. And those

figures work out the cost of one British soldier as equal to the cost of five Indian soldiers. Indianize the Army and you effect an enormous saving.

Then, Sir, a good deal of leakage and embezzlement takes place in the Supply and Transport Departments. Unfortunately, whatever may be said from the Treasury Benches to-day, the experience of Members is that there is no proper supervision and control over the contract system. It has come out in several cases—I cannot lay my hands at the moment on a particular case—that, whereas a contract of the Civil Department costs Re. 1, for the Military Department a contract for the same staff and quantity cost 5 times as much, if not more in some cases, I do not mean to say in all cases. This is a great eating-away Department, the Supply and Transport Department, and that requires special control and special check. There are now pending six cases of frauds and embezzlements in this Department and one of them is in my city of Karachi. A whole wagonfull of Military stores was found at Kotri or somewhere and nobody knew to whom it belonged. Eventually, it appeared that it had come from Quetta and a criminal case in that connection has been going on. Therefore, I submit that a very strong case has been made out for curtailing Military expenditure. The pruning knife should be ruthlessly applied to military expenditure. There is also another reason to which I made a passing reference before. One of the causes of this heavy burden has been the original amalgamation of the British Army with the Indian Army. That happened after the Mutiny. After the Mutiny, when the East India Company made over the administration to the Crown, the British Army was amalgamated with the Indian Army. In this connection, the late Mr. Fawcett, whom we all know as being a special advocate for India and always described as 'Member for India' in the House of Commons, made this remark :

'A few years after the abolition of the East India Company what is known as the Army Amalgamation Scheme was carried out in direct opposition to the advice of the most experienced Indian statesmen. India was, as it were, bound hand and foot to our own costly system of Army administration, without any regard apparently to the fact that the various schemes of organisation which may be perfectly suited to a country so wealthy as England may be altogether unsuited to a country so poor as India'

Then there was a Commission appointed during Lord Ripon's time, the Simla Commission, which fixed the proportion of British troops to Indian troops, at 60,000 to 120,000. But soon after, when Lord Randolph Churchill became the Secretary of State for India, suddenly he raised the strength by 10,000 British troops and 20,000 Indian troops respectively. For what reason? For no earthly reason at all. On the contrary, the result of that was that with this large force an aggressive invasion of Burma took place.

Mr. President: I must ask the Honourable Member to bring his remarks to a close.

Mr. Harchandrai Vishindas: All right, Sir. I am not going into any other points, as I must finish. There is one point, however, which I must mention. So far as the Railway expenditure is concerned, I support the recommendation of the Committee that Railway finance should be self-contained, because any saving in Railway expense is always utilised for expenditure which would not be the case if Railway finance was self-contained and whatever is saved would be utilised for Railway purposes altogether. With these few remarks, I bring my observations to a close.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : Sir, I gladly associate myself with the remarks made by my friend, Mr. Vishindas, about the excellent manner in which this most depressing Budget had been presented to us by the Honourable the Finance Member. Sir, I may mention that I was so carried away by his eloquence that even I was forced to cheer him and that at a wrong point. (Laughter.) Sir, while this Budget has been described as a distasteful Budget, and all sorts of adjectives have been used which I am afraid to enumerate here, I consider it as an eye-opener Budget. Sir, we have been told that we have been put on the road to Swaraj, and it is quite true that we have been put on the road to Swaraj. But, Sir, we are asked to run a race hampered by many obstacles. It is an obstacle race we are asked to run with tight-fitting clothes, pressing us at the neck, pressing at the chest and with very nice boots, but too pointed for the naked Indian feet.

In the first place, Sir, I have to thank you on behalf of the Party for allotting us a corner. (Laughter.) We had hoped that you would have allotted us the front fair Opposition, but, with the true instinct you have, you have rightly allotted a side, for under the constitution as it stands, we cannot deliver the frontal attacks on the Budget but we can only give side-thrusts. We had asked for an opportunity for a frontal attack, but His Excellency the Viceroy and Governor General, ~~as~~ Lord Chief Justice as he is, has taken

refuge behind the opinion of the Law Officers of the Crown. So, having missed that opportunity, you have truly gauged the situation and given us this position, so that we may content ourselves with side-thrusts which perhaps may be more effective than frontal attacks. (Laughter.) I said this Budget is an eye-opener. Sir, it has opened the eyes of every thinking Indian, nay it has opened the eyes of every thinking Englishman in the country. I was glad to see the informing, the instructive, articles in the '*Statesman*', no friend of India. (Laughter.) In the '*Times of India*', which we have always associated with the sober-minded Englishmen in this country (Hear, hear), the criticism was most delicious and most encouraging and most instructive. Sir, I said it has opened the eyes, and I am thankful to the Government of India for the very frank Budget which they have presented to the country. Early in our career it is but right that we should know, and the whole civilised world should know, what an obstacle race this infant Parliament is asked to take at its start. Let us face a few facts. In the year 1919-20, in March 1920, our revenue, our Central revenue, was 88 crores, and our expenditure that year was somewhere about 109 crores. If you take the figures, year after year, you find that the Finance Department in the last few years have been over-estimating the revenue and under-estimating the expenditure. We, as householders, in our household finance, would be acting foolishly, with great folly indeed, if we were to over-estimate our income and under-estimate our annual expenditure. But, Sir, when the Government of a large country like this over-estimate their revenue and under-estimate their expenditure, it is not only folly, but it is criminal folly.

Sir, what has happened? In the year 1919-1920, they budgeted for a revenue of 96 crores; they actually got 88 crores. I will leave aside the phenomenal year of 1920-21 which, by the beautiful exchange operations, produced phenomenal trade results in the country. In the year 1921-22, they budgeted for a revenue of 128½ crores and actually got 108 crores. So also, Sir, they are budgeting this year for an ordinary revenue of 110½ crores, to which they expect to add 6 crores by raising the railway rates by executive action, and, therefore, they expect to get a revenue of 116½ crores. If you go to the expenditure, you will find that, whereas they budgeted for an expenditure of 106 crores in the year 1919-21, the actual expenditure was 109.01 crores. In the year 1920-21, they budgeted for an expenditure of 129.8 crores, and the actual expenditure was 161.6 crores. In the year 1921-22, they budgeted for an expenditure of 127.5 crores and the actual expenditure is 142 crores. So that, Sir, this process of under-estimating the expenditure and over-estimating the revenue, has landed us in extravagance. You can quite easily conceive how, when fresh proposals for expenditure come up, whether it be by way of revision of pay or by way of fresh expenditure, when you think of your budgeted revenue and when you find you are getting so much, you will be tempted to sanction that expenditure; whereas, if you had rightly estimated your revenue, as you ought to have done, fresh expenditure would not have been sanctioned light-heartedly, as it has been within the last two years. Sir, I must justify the charge that fresh expenditure has been incurred light-heartedly during the last two or three years. In the year 1919-20, our civil expenditure was 16 crores—I will give the exact figure, which is 16.30 crores; and now we are budgeting for a civil expenditure of 20.55 crores. That is, within the last two years, from March 1920 to March 1922, our civil expenditure has gone up by 4.25 crores. As we are talking in crores, we are apt to forget what a crore means in this country. Let us convert it into units and then conceive the large addition which has been made within the last two years in civil expenditure alone. Sir, our debt services stood at 936 lakhs in the year 1919-20; to-day, Sir, they stand at 1,436 lakhs, that is our national indebtedness has so far increased within the last two years, that we have to pay an additional interest of 5 crores. I will not pile up figures; the time allotted to me is short, but, when we think of this, I may justly claim that we are put on the path of Swaraj with tight-fitting clothes, pressing us on the neck, pressing us on the chest, and pressing us on the feet. It will be an idle expectation, it will be a cruel test to impose upon the country to say: 'Now show your fitness for Swaraj within 10 years, within 5 years,' with these manacles placed upon us.

Sir, when last year, we were called upon to support the Budget, which some of us foresaw the country could not bear, we had no hesitation in giving our support to the Government. But, Sir, I made it clear in my speech and I daresay every one of us who supported the Government on that occasion made it clear, that it was a conditional consent to co-operate. The condition was this—and I said so plainly—that within the year we should put our heads together and see what expenditure the country could bear and how far we could effect reductions, whether they were on the military side or on

the civil side. In fact, Sir, when I moved for a reduction in the grant for the Central administration, the Honourable the Finance Member, speaking for himself and for his colleagues, gave us an assurance that he would ask the Finance Committee to go into the expenditure and make a report to this Assembly. Sir, I am a member of that Committee and I have yet to hear of any intimation or notice that that Committee has to sit upon any question of retrenchment or economy in the administration of the country. Therefore, Sir, we consider that the condition on which we gave our co-operation in sanctioning the Budget last year has not been fulfilled.

Sir, on the military budget, we listened with great respect to the views propounded by His Excellency the Commander-in-Chief and by Sir Godfrey Fell. They told us that the matter was going to be investigated by a Committee and that the whole matter of the military expenditure would be carefully considered. I had the honour, by the courtesy of His Excellency the Commander-in-Chief, of appearing before a Committee called the Military Requirements Committee. Sir, that Committee held an investigation and they gave us an opportunity to give them our views. This Assembly is yet to know what the report of that Committee is. This Assembly is yet to know what His Majesty's Government at Home and the Sub-Committee which was sitting in London have done with reference to that report. We have to gather, we can only gather from newspaper accounts, that nothing has come out of that Committee. Sir, I had great hopes in that direction. Sir, there are two ways of looking at the military burden. It is all very well to succumb to experts and I am quite willing to succumb to His Excellency Lord Rawlinson in matters which appertain to the Army; but, in the matter of the financial capacity of the country, I am not willing to surrender the judgment of this House even to His Excellency the Commander-in-Chief. His Excellency the Commander-in-Chief and the military advisers of Government take the view that the country should afford it, whereas we have to tell His Excellency the Commander-in-Chief that the country can afford so much—you cut your coat according to the cloth we can give you. There are a few questions of broad policy connected with military finance on which this House and this House alone can pronounce a right judgment. Sir, take the proportion of the British to the Indian element in the troops. I think, Sir, it stands to-day at 1 to 2.5—that is, one British soldier for every two and a half Indian sepoys. I say, that is an extravagant proportion. Knowing as we do that the cost of the British soldier is nearly $4\frac{1}{2}$ times that of the Indian soldier, I say, this proportion of 1 to 2.5, which might have been necessary years ago in the days of the Mutiny when the sepoy himself was a mutineer, in these days when the sepoy has shown his loyalty to the British Empire by shedding his blood for that Empire,—that you should maintain this proportion of 1 to 2.5 now is really appalling. That is one matter on which this Assembly can give sound advice.

Take again, Sir, the proportion of troops which is required for internal security. I could wish for the day when we may be able to police the country without any military. Assuming that it is necessary to maintain the military for this purpose, are three-fifths of the Infantry required for internal security? How many of us here who are called upon to sanction the Budget know what proportion of the military is required for internal security and is maintained for internal security? Sir, we were told by no less a personage than His Excellency the Viceroy in opening this Assembly that autocracy was at an end. Is autocracy at an end in financial matters? Who lays the plans? Who advises the ways that things should be done for the military defence of the country? We are no better off—probably we are worse off—than the '*Pioneer*' in matters of information connected with military policy or the military affairs of Government. For instance, I find the memorandum which has just now been circulated explaining the position addressed to Honourable Members of this House was supplied to the '*Pioneer*' long before it was supplied to the Assembly. Now that is what I say. We have no voice. We are deeply indebted to His Excellency the Governor General for allowing us to-day to discuss military expenditure. I wish this announcement had been made 2 or 3 days earlier so that we might have come better prepared to deal with this question. To spring this permission on us at the eleventh hour like this is giving us a permission which I am afraid it will be very difficult for us to avail ourselves of with any effect. His Excellency the Governor General has been graciously pleased to accord this permission to the Assembly, but, Sir, coming as it does at the eleventh hour, it is worse than useless. My position is this. There are various ways in which military expenditure can be cut down and should be cut down. How many of us here in this Assembly know anything about Waziristan; and, as we are told that crores and crores of rupees are being spent for occupation

purposes, may I ask if we are taken into confidence—is any Committee of this House taken into confidence in that matter? These are all matters in which some of us, though we may not be military men, know the requirements of the country, we know the position of our countrymen, we know how hard it is for them to make both ends meet, we know how much this country can afford. Therefore, looking at it from every point of view, there is plenty of room, plenty of scope, for retrenchment and economy in all directions. That being so, the question of the deficit for which we are asked to find ways and means becomes important. Sir, last year we supplied the Government with 18 crores of fresh taxation, and what is the result? They come to us with a deficit. They say: ‘We have spent the 18 crores and we have borrowed many more crores’. They have borrowed altogether some 70 crores. Sir, with regard to this borrowing again, how many of us were aware of it till the matter was announced and what voice have we got in it? Even the Standing Finance Committee were not aware of this borrowing. Therefore, Sir, to say that autocracy is at an end is mockery. It certainly is not at an end in financial matters. It certainly is not at an end in the matter of policy. It certainly is not at an end in various other matters. Therefore, Sir, we are in this position to-day. We have already, for one year, allowed expenditure, because we were new to the position and we did not want to rush things. But this year, if we sanction this expenditure, we will be standardising it. The world may legitimately say: ‘Now here this elected Assembly has given its support to this standard of expenditure, they had opportunities and they availed themselves of those opportunities and having availed themselves of those opportunities they must have satisfied themselves that this expenditure is the rightful expenditure for the country to bear.’ Can we honestly say that we have judged this expenditure and come to the conclusion that it is just the expenditure which the country should bear? Can anyone honestly claim that? Have we sufficient knowledge in that direction? Therefore, Sir, it will not be right for us to standardise this expenditure. Therefore, the time has come for the Government now and at once to begin an earnest examination of the question. It is no use telling us, ‘Oh, we will do this or do that’, and when March comes round again, we shall be told again: ‘We are considering the appointment of a Committee of Retrenchment, the constitution of which is still under consideration.’ That will be the result; but Sir, I am afraid, it is idle to expect us responsible men who owe a duty to the country to which we belong to recognise that this is the standard of legitimate expenditure on which you should embark.

Therefore, Sir,

Mr. President: I hope the Honourable Member is not about to embark on a new subject now.

Rao Bahadur T. Rangachariar: I will not, Sir. I am not going now to tire you with speaking on the taxation aspect of the question. The necessity for taxation has not been made out, and that is the view I take; and, Sir, I wish to close with these remarks. We had instances in our ancient texts when the King took counsel with my mythical ancestors, and the King was asked to follow this advice: Take for your example the bee. Take the leech for your example; and take the calf for your example; that is, take little by little. So also every King, every Government should keep that in view. It is no use trying to hurry the people into this heavy taxation. What is it? Last year Rs. 18 crores and this year Rs. 48 crores of fresh taxation, when, as I have told you already, the whole central revenue of the country is only Rs. 88 crores. So, Sir, I close with these words. All questions of taxes of Government are finally answered in the minds of men. Side by side with this growth, this appalling growth of expenditure, there is a growth in the spread of knowledge of economic and financial matters, and, with it, the knowledge of possible alternatives to a continuously mounting debt or burden of taxation. This psychological limit is probably more important and significant than any that is purely economic and it holds within it the possibilities of revolution and repudiation. There are, in plain fact, definite limits to human endurance and they do not easily come into focus until they are dangerously close. They may be apparently lost in the mists of the future when in fact they are so close that a few years may bring them sharply into focus, but too late, as so often in history, for any effective preventive measures. To be willing to grant to-day what would have saved the situation, had you granted it yesterday, is one of the world stories that is constantly repeated without being learnt.

Baba Ujagar Singh Bedi (Punjab : Landholders): Sir, I have gone through the Budget and the proposals for additional taxation carefully. I am not a financial expert,—I am a landholder. But then, there are some

points in it which are of such general yet vital interest, that even a layman like myself is expected to formulate his opinion on it. The Budget is not merely a deficit Budget like its predecessors, but to quote '*The Statesman*' 'is a veritable calamity Budget.' To come directly to the facts and figures, it seems that the Government of India are apparently making rapid strides towards bankruptcy.

The Budget estimates an expenditure of 142½ crores, as against a revenue, on the basis of existing taxation and including the provincial contributions of 920 lakhs, which will amount to 110½ crores, which makes a deficit of 31½ crores. And this is not for the first time, but we have been shown such deficits for the last four years in succession. In 1918-19, the deficit amounted to 6 crores, in 1919-20, it amounted up to 24 crores, the final accounts of 1920-21 show a deficit of 26 crores. And if the budgeted deficit of the ensuing year, viz., 31½ crores, which, judging by the sad experience of the past, is almost sure to be exceeded, is added to it, it makes a total deficit of 121½ crores in five years. And then, there is no likelihood of its ever coming to an end, since the causes at its back, as advanced by the Honourable the Finance Member, are not of a transitory nature. There is no hope of the events taking their normal course.

In fact, Sir Malcolm is faced with a desperate situation and he himself admits most frankly :

I do not think these deficits are due to transient causes, that we can look for better times ahead and that we should consequently be justified in leaving things as they are, in the hope that before long our revenue will once more have equalled our expenditure. I must say frankly that I see very little prospect of such equilibrium being attained within a memorable period.'

The expenditure for the ensuing year has been estimated at 142½ crores against an income of 110½ crores, which means a deficit of 31½ crores. Now the military expenses amount to 62.18 crores, while all the other expenses are only 78.07 crores. In the Budget of the current year, as finally passed by the Assembly on the basis of new taxation, the expenditure was estimated at 127½ crores, as against a revenue of 125.33 crores, thus leaving a surplus of 71 lakhs, which surplus has got converted into the most appalling deficit. In the current year, the military expenses were estimated at 58 crores and non-military at 69 crores. One simply fails to understand the reason for this awful enhancement in the Military Budget. Almost 58 per cent. of the net revenue is squandered every year for the so-called security and peace of the country. India is no doubt paying a too heavy payment for it. The expenditure under this head deserves a close and scrutinizing attention for considerable curtailment.

Here strikes me an Indian proverb :

'Less strength and more wrath, is the omen of one's being beaten; less income and more expenses, the house is doomed to ruin.'

Now, if the expenditure of the Government goes on increasing every day and the people are called upon to pay more and more, the house of India would be ruined and bankruptcy would be inevitable.

We must cut our coat according to our cloth.

The Honourable the Finance Member has remarked in proposing fresh taxation that there are, in theory, three courses, which can be adopted, either separately or in combination,

- (1) To budget for a deficit,
- (2) To reduce our expenditure, and
- (3) To increase our revenue.

And he is most true there.

But, Sir, the only place where we differ, is that he has failed to deliberate fully over his various alternatives. Budgeting for a deficit would no doubt be replete with many a sad consequence. But to say that there can be no scope in the reduction of the expenditure and that the only acceptable alternative is to enhance taxation does not appeal to me as sound.

Sir, I agree with '*The Statesman*' in saying :

'That it is impossible to acquit the Government of the charge that it has not exercised economy to the fullest extent.'

(*Vide 'Tribune,' dated March 4th.*)

Let me repeat here once more with '*The Statesman*' :

'That the Military Budget should have reached its present proportions is nothing short of monstrous.'

Sir, to propose fresh taxation on the already over-taxed country is a death blow to the people. I, every now and then, describe the pitiable condition of the over-taxed Zamindars to my friends and express my views regarding the amelioration of that community; and I am glad to see that those views up to a certain extent have been ably and beautifully explained by my Honourable brother, Colonel Sir Umar Hayat Khan, the other day in the Council of State, in connection with the introduction of the Income-tax Bill. Had I followed the dictates of egoism, I would have kept silent until the non-agriculturist classes would have been taxed, to the same extent as the Zamindars, from whom the so-called theory of State landlordism demands no less than 50 per cent. of their produce and in some cases actually more than 30 per cent. has been levied, whether or not they get any produce from their lands at all; although all other tax-payers, including the assesses of Super-tax, do not pay more than 10 per cent. of their income. But my conscience prompts me to raise my voice against any further enhancement of taxation, because of the following two reasons:

Firstly, if the various items referred to in the proposals for fresh taxation are accepted, the prosperity of the country would be greatly affected; and secondly, the Zamindars, whose revenue-settlement, that is taxation, never comes to an end, and who, being the favourite children of the benign Government, are never ignored, and are always the first to get their adequate share, directly or indirectly, whenever any taxation is proposed, are likely to succumb under its crushing weight. It was only the other day that the following words were uttered in the House of Commons, by no less a personage than the Secretary of State, in his justification of his policy, when his opponents made him responsible for the present disturbances in India. He says (*vide* 'Civil and Military Gazette', dated February 17th, 1922):

'The next great cause of the trouble in India, for which he personally could not be held responsible, was the economic situation in the world. India was highly taxed, prices were high and the population was poor. The only cure was the development of industrial and agricultural resources of India in order that the people might become richer.'

And, Sir, the effect given to his advice to make India richer and to remove the present discontent, prevailing in the country, is a further indiscriminate enhancement of taxes and an increase in the present duty on Machinery, Iron, Steel, etc., from 2½ to 10 per cent., which are the indispensable factors of our industrial and agricultural progress. Sir, I am not here speaking in any way against the Honourable the Finance Member. Anybody in his place would have done the same. He has to frame his Budget according to the expenses of the country. But, Sir, I am here to oppose the expenses, so lavishly and indiscriminately incurred by the various departments.

Sir, I had a mind to speak at length on the various suggestions of increment, but I leave that to my abler friends, well-versed in finance.

It is a broad daylight fact that India is the poorest and the most highly taxed country in the world. The incidence of taxation is shown by comparison with the people's earnings; and, judged by their standard, the incidence is higher in India than in England. Even if the rate were the same, the pressure would be more keenly felt by the people of India, with their lower average income, than the richer people of England.

The Government of India, let me say, is pursuing the policy of taking and not of giving. This policy must be brought to an end, sooner or later, and the sooner the better.

With these few remarks, I would appeal to the Honourable Members of this Assembly to subject these proposals to a careful scrutiny and to think twice before they opine on the subject.

We ought to tax articles of mere luxury, like tobacco and wines, and not those articles of necessity which are the poor man's luxury.

I hope that the Honourable Members would see that the matter is not made worse than before.

Mr. Darcy Lindsay (Bengal: European): Sir, I do not propose to take up the time of the House in backhanded compliments to the Honourable the Finance Member for the able manner in which he has presented to this House, perhaps the most deplorable Budget it has been India's lot to receive (Hear, hear) and I will at once proceed to offer my criticisms thereon.

On the expenditure side, I leave it to others to again impress upon the Government the urgent necessity for drastic retrenchment in every direction (Hear, hear) before the taxation milch-cow runs dry, as there is every indication of her doing on the present scale of extraction. It almost reminds me of that illegal *phuka* practice adopted by a certain class of milk-dealers. It is well known I believe throughout India. (*A Voice*: 'In Calcutta.') Only a year ago we were faced with a deficit of 18½ crores which was met by

this House in the sanguine hope that the tide was on the turn, and, aided by anticipated retrenchment, the Finance Member's task would this year be a happy one. Yet what do we find? Unrealized expectations as to the stability of that old bugbear, Exchange, a heavy fall in anticipated receipts from all principal sources of revenue, and, last but not least, no apparent retrenchment with the appalling result of a further deficit of the huge sum of 31½ crores.

In the Budget now before the House we are, I hope, down to nearly bedrock, as regards Exchange, and it is in connection with the taxation that I propose to offer comments. I regret I cannot compliment the Honourable the Finance Member on the exercise of that imagination and ingenuity I am sure he is blessed with, for what has he given us but a repetition of just the same old taxation with a turn of the screw in varying degree according to how far he thinks the strain can be borne? The only innovation is a small excise duty of one anna on kerosine to balance the increase of one anna in import duty, and an import duty of 5 per cent. on yarn. In, again, applying the screw with increased vigour, merely because the unhappy victims of previous years' torture are thought to have a further kick in them, the Honourable the Finance Member reminds me of the handicapper of a steeplechase, where the unwise adjustment of heavy weights so frequently tells at the last jump. Don't overweight your horses or they will break down, as in the case of wines and tobacco. Bring in other starters to help you along, even although you only impose light weights.

On the assumption that many heads are better than one, I venture to suggest to Sir Malcolm Hailey that he offer a substantial prize or prizes for competition for proposals as to new taxation and showing results. I cannot believe that every channel has been explored, and such a competition might well produce interesting figures. Our old friend, Mr. Price, would no doubt enter and deal very effectively with the taxation of silver imports, (Hear, hear) about which he addressed the House last year, and my Honourable friend, Sir Frank Carter, as a member of the Sugar Commission, can deal with sugar, and tell you whether an excise duty can be borne. Then we have possibilities in our excise duty on Timber, Shellac, Tobacco, including Cigarettes, an increase in the excise duty on Jute. I have heard it said, perhaps in levity, that a tax on Barristers and Vakils would be very remunerative. (Laughter.) I doubt whether it will meet with the support of this House. (*A Voice*: 'We are already over-taxed'.) And last, but by no means least, I suggest the issue of Premium Bonds. I believe Sir Malcolm Hailey is a gambler at heart, judging by the way in which he manipulates our finances, and, as a gambler's last throw, let me commend premium bonds as a money-making proposition; and for further information I may refer him to Sir Montagu Webb and Mr. Nigel Patton, both experts on this subject. Now that the Bengal Government propose to recognise betting on horse races as a legal form of gain, or perhaps I should say loss, and intend to replenish their Budget deficits by what they facetiously term an 'amusement tax' on betting, why should we continue to have any qualms of conscience in regard to Premium Bonds which are surely a very innocent and popular form of speculation, or, as Bengal would term it, 'Amusement' and at the same time most profitable to Government, judging by the experience of Foreign Governments? If the Honourable Member does not perhaps approve of the idea of a taxation competition, I feel tempted to suggest our panacea for all ills—an Assembly Committee with a non-official majority, were it not for the fact that experience goes to prove much time and money is wasted with but little to show. I, therefore, suggest that an expert in taxation be attached to the Finance Department who would not be encumbered by the details of administration and would have time to study our system of finance and taxation and advise the Finance Member whether or not the basis of our taxation is as broad and firm as it can be made.

In criticism of the proposed taxation, I desire to draw the attention of the House to the very disturbing effect this annual increase in taxation of the same class of merchandise has both on the trade and the public, and herein lies grave danger to the Honourable the Finance Member's expectation of much gain from increasing imports, for the trade cannot stand up against such frequent volcanic upheavals. I venture to say, the necessary adjustments in retail prices due to the increased duty in last year's Budget have even now been barely completed owing to the working off of old stock at former prices, and, just as the public are settling down to new and increased prices, along comes a further bomb-shell in a repetition of the increase. There is also an aspect of the case that may have escaped the Honourable the Finance Member's attention, that, in these adjustments, it is frequently not possible to pass on to the consumer the exact amount of the increased taxation, and his suffering is even more severe than it was intended to

inflict. The result may well be a heavy fall in consumption, as there is a limit to expenditure without a corresponding increase in pay, and the Finance Member then awakes to the fact that the goose is dead. He sorrowfully admits this in connection with wines and tobacco, to which, I have previously referred.

As regards the increase of *ad valorem* duty from 11 to 15 per cent., I have no particular comment to make, except that the tax is unduly severe in many instances and may well retard that expansion in imports the Honourable the Finance Member so hopefully looks for. The increase in the Cotton excise duty and the 5 per cent. duty on imported Yarn seems to follow as a necessary consequence. The increase in the duty on Machinery, Iron and Steel, and Railway material is surely a retrograde step, however attractive the anticipated 4 crores 5 lakhs may appear. We are crying out for the manufacturing development of India and here we impose a serious handicap by increasing the duty from 2½ to 10 per cent. This, I advocate, should be removed or the Tariff revised. Matches and salt have come in for adverse criticism from my friends opposite, but, possibly, the objections to the increase are more sentimental than real, for it is difficult to realise how an increase of only 12 annas per annum to a household of four can be regarded as a hardship in these days of increased wages. It has to be borne in mind, when I refer to increased wages that in some directions they do not appear to be required nor do the people appear to be short of money. I think the coal district will bear with me when I say that, where a man formerly worked six days a week, and now gets double pay, therefore he works for three days only—I should imagine the extra duty on Textile goods will be more severely felt by the masses.

The gamble for a problematical extra 30 lakhs from spirits might well have been deferred to allow the trade to settle down. It was only last year, Sir Malcolm Hailey said, any attempt to raise the duties higher might yield less revenue and this year he admits to taking the maximum revenue possible. I have received a letter from a friend in the trade who writes to me as follows:

The trade was wholly unprepared for another increase so soon after the staggering blow it received last year. Sales were seriously affected as the big drop in imports has conclusively proved, and it looks rather like vindictiveness to hit us again for so paltry a sum as 30 lakhs, at a time when the purchasing power of the public is at a very low ebb. It is confidently believed that the duty at Home will be dropped in the next Budget, it having over-reached the bounds of profitable exploitation, and, though I would not like to make a similar prediction in the present case, I am perfectly certain that far more harm will be done to business concerns directly interested than benefit will accrue to the Government. The fall in imports of whisky, brandy, gin and beer was from 807,949 gallons in 1920 to 617,049 gallons in 1921.

The misnamed luxury tax anticipates an additional yield of 75 lakhs, in spite of the experience that, during the greater part of this year, the imports have been very disappointing. I fear a further disappointment awaits our optimist and he would be better advised to abolish this special tax altogether. I would like to know how much of the 114 lakhs budgeted for last year has been realized. Why bicycles should be considered a luxury I cannot understand; they are not exactly a joy-ride and are in common use by clerks and artisans to take them to their work. Post office peons also use this 'luxury' in delivery work. Motor cars are also considered a luxury, and I again ask, why? I appreciate there may be a desire to check expenditure on costly cars, but to discourage motor traffic as a whole is a mistake. The taxi even is raised to the dignity of a luxury and will have to pay the 30 per cent. not only on the car but also on the tyre and tubes, and this equally applies to the many light delivery vans used in the course of business. A duty of 30 per cent. will be welcomed perhaps by American manufacturers as likely to kill the import of British and Continental cars, but I question, will the revenue gain thereby? For instance, a car costing, say, £600 or Rs. 10,000 landed, will pay a duty of Rs. 3,000 against Rs. 900 to Rs. 1,500 on the American car. I maintain that a levy of half the proposed duty would greatly increase the import of the former.

The raising of railway passenger rates by nearly 25 per cent. appears very drastic in face of the heavy increase during the past few years, and one can only hope the experience in England from high fares will not be followed here.

My Honourable friend, Mr. Subrahmanayam, will no doubt be pleased, as it may solve the problem of overcrowding. I hope suburban traffic will be given special concessions, as the raising of fares will be very severely felt by the thousands who come to their daily work by train. I would also suggest concessions to pilgrims visiting *Melas*. I realize that Railways should not show a loss, but, on the other hand, it is surely wrong to exploit the Railway to assist Budget deficits as is now being done.

I share with many Members the regret that Postal rates have to be raised, and desire to put in a plea for the retention of half-anna postage, even if it were to be confined to the familiar small embossed envelope and not to exceed $\frac{1}{2}$ tola in weight. (Hear, hear.)

Taken as a whole, I do not like the Budget: it is very severe in some directions, both on the masses and on the well-to-do, while the man of small means is hit in all directions. There is no doubt the Budget will be welcomed by the non-co-operation party (Hear, hear) and add fresh fuel to the smouldering fire of discontent, for it is generally admitted economic causes are the main factor in causing discontent. (Hear, hear.) Reduce the cost of living and you have a happy people. (Hear, hear.) Retrenchment will then follow by its being possible to reduce the Army. I admit that some increased taxation was necessary, but, under the special circumstances of the case I contend, the country would whole-heartedly have supported the Honourable the Finance Member in leaving an uncovered deficit very much in excess of 2½ crores. He talks of bankruptcy, but I doubt if we are in quite such a pailous state. Why not prepare a balance-sheet as in the case of every business firm and see what assets the country has to place to capital account. It is only this year that certain expenditure is being debited to capital account, but why not take credit for past expenditure less necessary depreciation, and to some extent borrow on that credit, to be repaid on the prosperity years before us when the country is at peace. That happy state may be reached sooner than anticipated, if the Government will only examine the economic causes of discontent and do all in their power to remedy the same instead of, as I said before, adding fuel to the fire and giving a fresh lease of life to non-co-operation which, from all accounts, had not long to live. (Hear, hear.)

Khan Bahadur Sarfaraz Hussain Khan (Tirhut Division: Muhammadan : Sir, in paragraph 7 of his speech, the Honourable the Finance Member says :

‘Altogether then our expenditure is somewhat over 14½ crores more than we expected, and the total deficit will amount to no less than 34 crores. If you carry your minds back to the history of the last three years, the House will realize that this is now the fourth deficit in succession. In 1918-19, it amounted to 6 crores, in 1919-20, mainly due to the Afghan War, the deficit was 24 crores, our final accounts of 1920-21, swollen by many adjustments of arrears expenditure on the Afghan War and the Great War, showed a deficit of 20 crores. Adding the 34 crores to which I have just referred, the total excess of expenditure over revenue in the four years comes to 90 crores.’

In paragraph 19 of his speech he says :

‘I do not think that it is possible to take up the position that these deficits are due to transient causes, that we can look for better times ahead, and that we should consequently be justified in leaving things as they are, in the hope that before long our revenues will once more have equalled our expenditure. I must say frankly that I see very little prospect of any such equilibrium being attained within a measurable period’.

Such is, gentlemen, your actual financial position as clearly shown and frankly admitted by the Honourable the Finance Member who, furthermore, with a view to enable you to solve the problem of how to meet the deficit, placed before you three courses that can be adopted namely, (1) by budgeting for a deficit, (2) by reducing the expenditure, (3) by increasing the revenues. And, after giving his reasons for the undesirability and impracticability of (1) budgeting for a deficit and (2) reducing the expenditure to any appreciable extent, he has placed before you his proposals for additional taxation. Whatever the causes of the loss of revenue or of the increase of expenditure may be, the question of questions is, whether you are prepared to meet the whole deficit by taxation. If you do, you will be increasing popular discontent. If you do not, you will have to revise the Tariff Bill and reduce the Demands for Grants submitted to your vote.

Military expenditure is no doubt a heavy burden on our financial resources, but I am one of those who believe that the safety of a country and its peaceful development depend very largely on its military strength. Military power is the solid foundation of civil power and without civil power the fabric of social order is bound to collapse and fall into pieces. Situated as India is, the maintenance of a sufficiently strong army, kept in a state of efficiency, seems to me therefore to be an absolute necessity. But, at the same time, I must point out that no military power, however strong, can stem the tide of disaffection, and disaffection is the fore-runner of social upheaval, and social upheaval that of revolution.

Here, I may be accused of drawing upon my imagination, but that is not so. Those who had had the pleasure and the advantage of hearing the Budget debates of the late Mr. Gokhale can appreciate my meaning. The seed of real discontent was sown when the public demand for the shaping of the Budget, according to the needs and requirements of the country, was not

accepted by the Government and the more Government insisted on their policy, the more the public discontent grew and increased in violence and intensity.

Now what has Mr. Gandhi done? He took advantage of the discontent prevailing in the country and inaugurated his non-co-operation movement, each item of the programme of which is calculated to alienate the sympathies of Indians from Great Britain. But what did the Government do to combat this growing danger? Instead of looking into the inwardness of the situation, they trifled with Mr. Gandhi and relied more as it seems to me on its military strength. The result has been what you find it now, namely, agitation and irritation on the one side and repressive measures on the other. But this is past history and there is no good crying over spilt milk. Still I submit that it would not be a wise policy for a constitutional Government to multiply causes for disaffection and then run to guaid against the effects of such causes.

The Honourable the Finance Member has in paragraph 3 of his Budget speech said :

‘ Thirdly, the conditions of the country have been such, partly economic and partly political, that there has been a complete stagnation of the ordinary activities of internal trade.’

I should say, improve the economic and the political will disappear automatically. Be less generous on the expenditure side of the Budget; cut your coat according to your cloth; obviate the necessity of additional taxation as much as possible; inspire more confidence in the people and then subsequently, if need be, twist the tail of agitators effectively.

In these circumstances, I would ask the Honourable the Finance Member and the Government of India to tackle the economic condition of India more carefully and I would furthermore wish that their administrative genius should save India from a financial crisis just as the military genius of Lord Kitchener and his fellow workers saved Great Britain from a military catastrophe.

Now, gentlemen of the Assembly, representatives of the people as you are, and representing the various classes and interests as you do and having the interests of the people at heart, see that you get a good return for every pice of the public money that you spend, and prove by your actions and deeds and not by words that you are the real friends of the people and thus save the country from passing into the hands of the agitators. Your actions at this juncture will be watched with very great anxiety, and the Assembly will be judged by your fellow countrymen by your work here. You have, no doubt, to labour under disabilities, the chief of which is that the Demands are divided into votable and non-votable and you are precluded from voting on the non-votable.

Just a few words regarding taxation. Placed as we are, we would be compelled by dire necessity to resort to taxation, but generally speaking, I may say, we should avoid hitting the poor and avoid taxing the bare necessities of life. The riots and strikes have mostly been found to be due to, if not wholly and solely, at least largely, to economic causes.

I was interested to read the leader of the ‘ *Pioneer*,’ commenting on the Budget, saying that the Finance Member seems to have missed a valuable opportunity of placing before the Legislative Assembly and country a clear and reasoned exposition of the serious economic injury inflicted on India by revolutionary agitation, the effects of which, unless the evil is rigidly suppressed, will be more apparent in future Budgets. I quite agree with the ‘ *Pioneer*’ and I take this opportunity of warning Government not to be unduly influenced by the temporary suspension of lawless activities in the land. At the same time, I must point out that mere repression will not suppress agitation. Mere repression will only increase agitation and Government will have to change its financial policy with a view to lighten the burdens of the people. With these few words, I bring my remarks to a close.

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadan Urban) : In the brief space of twenty minutes that are allotted to each Honourable Member to discuss the whole Budget, it would be very difficult for me to refer to all the details and criticise them in order that I may place my views with regard to the Budget before this Honourable House, and I therefore propose to confine myself particularly to some items of taxation to which I take strong objection. In the first place, let me associate myself with the criticism that has been offered in this House by my Honourable friend, Mr. Rangachariar, on the Budget, especially on the huge and unjustifiable burden of military expenditure that has been mercilessly thrown on this

poor country. We have been told that we may discuss the military expenditure, but the Law Officer of the Crown has expressed the opinion that we are not entitled to vote upon the military expenditure. The very fact that there was found a necessity to refer the matter to the Law Officer of the Crown proves that the Government of India Act was not properly drawn up, but, leaving aside that argument, I submit, Sir, with due deference to His Excellency the Governor General in Council, that, although he is graciously pleased to allow the House to discuss the Military Budget, this House, I believe, strongly protests against this mere right of discussion and the denial to vote upon an item which is of such vital importance to the country. This House, Sir, I want to make it clear, is not a debating society. This House, Sir, cannot remain satisfied with the mere right of discussing an item which is going to tell so heavily on the country and its future prosperity. This House demands, and I believe demands emphatically, the right to say what it feels on this subject of vital importance. Sir, leaving aside the subject of military expenditure, I associate myself with the remark that was made by my Honourable friend, Mr. Darcy Lindsay, that this Budget is most deplorable. If I had not known intimately the views of my Honourable friend, the Finance Member, I should have been inclined to believe that probably he wanted to co-operate with the non-co-operators in making the reforms a complete failure. For, Sir, last year, in the first year of reforms, we were asked to vote an additional taxation of 18 crores. This year we are asked to face a taxation of nearly 32 crores. (*A Voice*: '29 crores.') What a good beginning we have made. In the first two years of reforms, this poor country is asked to bear an additional burden of a huge taxation of nearly 50 crores of rupees. Can there be a surer way, I ask the Government, of making the Reforms a failure? At a moment when the whole country is faced with a grave situation created by the activities of non-co-operators, I fail to understand what prompts the Government to come before the country with a proposal of this character asking it to vote an additional taxation of nearly 30 crores of rupees.

I do not speak here in the interest of one party or another. Everyone of us is here to speak what he thinks is right, in the interest of the country, and I cannot help feeling that if the Government persists in their policy of asking the country to bear this absolutely unjustifiable and unbearable burden, they will be doing everything in their power to defeat the aim that we have at heart of making the reforms a success (*Hear, hear*), to shake the solid faith that we have in the reforms, and to help the activities of those who are out to overthrow the Government of the country. But I come at once to the method that is suggested by the Honourable the Finance Member of meeting this heavy expenditure,—the form of taxation that the Honourable the Finance Member has suggested to this House that we should adopt; and, speaking on these additional items of taxation, I want to make my position perfectly clear in regard to this. The House is aware, Sir, that I am a member of the Fiscal Commission that has been appointed by the Government of India to recommend the best fiscal policy that is suitable in the interest of the country. While I speak here on the additional items of taxation, I want to make it clear that nothing that I will say here either commits the members of the Fiscal Commission or myself, in my capacity as a member of the Fiscal Commission, or will in any way affect the view that I may ultimately take, along with my colleagues, on the question of the fiscal policy for India. But, standing here as a Member of the Legislative Assembly representing the city of Bombay, I must offer my criticism of this policy of additional taxation, especially of the forms of taxation that are suggested by my Honourable friend, the Finance Member.

I come first to his proposal to double the salt tax. I ask the Honourable the Finance Member whether he realizes, or not, that, while the incidence of three annas per head seems to him to be a trifling sum, this doubling of the duty on salt will affect considerably the average man in India, whose income per head is insignificant. I think I am right when I say that the teeming millions of India who consider salt a necessity of life—and I want the Honourable the Finance Member to remember that most of these teeming millions are vegetarians and therefore for them salt is a necessity—have all along protested against the duty that existed on salt. Will they be prepared to bear this additional burden? I am afraid they will not. And I again repeat that increasing the salt tax is encouraging the growth of discontent among the masses who are already being exploited, whose ignorance is already being exploited, by the non-co-operators. Well, leave the salt tax aside. Let us come to the Honourable the Finance Member's proposal for increasing the Customs duty. I admit that there is a good deal of force in the argument of the Honourable the Finance Member that, when the country is

Those are Lord Selborne's words. If Honourable Members do not agree with him I cannot help it.

'... and I do not suppose that the world will ever again see its like. It is quite extraordinary for what it has done with a very small man-power and with the smallest possible budget.'

That is the opinion of an independent gentleman. I will read a few further remarks of his, which may possibly interest Honourable Members of the Treasury Bench :

'At the present moment, in my judgment, the Government of India in every Department is entirely undermanned,' (*Laughter*)—'and the men who correspond to Ministers in this Country are grossly over-worked. I want to lay the greatest stress on this—the cheapness, the economy, almost the stinginess in man-power of the Government of India at present.'

Honourable Members will see that he used the same adjective as my friend, Sir Frank Carter, used regarding the Finance Member.

Dr. H. S. Gour : Is it a contribution to '*Punch*' ?

Mr. P. E. Percival : This is a speech made by Lord Selborne in 1919 on the Government of India Act. Sir Frank Carter described the Finance Member as a stingy man ; and that is the position. The Government of India is stingy. It has always been stingy. (*A Voice : 'Shame.'*) Perhaps, however, it may be asked, if the Government is so economical, why is it that we have got this deficit ? I suggest that the answer can be given in two words, namely, the war. If the critics of the Government can mention any other country in the world, any civilised country, where prices are low and taxes are low, where the finances are good and the exchange is good, we shall be very glad to hear of it. There are pensioners in all parts of the world looking for such a country to live in. (*Laughter.*) We are told that the Channel Islands are full of pensioners trying to escape the British Income-tax.

Mr. N. M. Joshi : Go to Germany.

Dr. H. S. Gour : Or Switzerland.

Mr. P. E. Percival : At any rate people are going to the Channel Islands to try to escape the British Income-tax, which, I may mention, is 6 shillings in the pound (that is, a little less than 5 annas in the rupee), which is 3 times as high as the highest rate of income-tax proposed in the present Budget. The Honourable the Finance Member has in fact pointed out the real reason for this big deficit, namely, the abysmal depths to which trade depression has fallen. The same remark was made in the '*London Times*' in its financial review of the year 1921. It is there stated that the trade depression is the worst that has occurred for 100 years. In the same article it is mentioned that the expenditure of the British Government in 1921 was six times the amount of the pre-war expenditure so that this trouble and deficit are world-wide and universal.

One other point, which, I think, has not been mentioned by the Honourable the Finance Member, but which strikes me, is that we are faced with a double difficulty ; and that is that, while on the one hand we have got a slump, on the other hand at the same time we have got high prices—that is to say comparatively high prices when compared with the pre-war prices—and this is a point which, I think, perhaps is not sufficiently remembered. If prices have increased 50 per cent, it is evident that a Budget of 150 crores now is the same as a Budget of 100 crores in the past. There is no real increase, but only a re-adjustment in accordance with the prices ruling at the present time. I do not know how far prices have increased. I see, however, in the statement regarding labour in Bombay that there is an increase of 73 per cent. in the prices of articles required by labourers there over the prices in July, 1914. This brings me to another point to which I wish to refer. It is suggested that the Budget may be equalised to some extent by curtailment of expenditure on the civil side.

Dr. H. S. Gour : Military and civil, both.

Mr. P. E. Percival : But my question is whether it is capable of any curtailment of expenditure on the civil side. The Honourable the Finance Member spoke as follows :

'We have agreed to accede to the desire of the Assembly for the appointment of a Committee of retrenchment and an announcement will shortly be made on the subject. But the field of civil expenditure over which that inquiry can range is small ; it does not extend to more than 20 crores, and though retrenchment may and no doubt will be effected, it could have but a minor effect in restoring the balance.'

Our body of Government servants, pensioners and so forth, are the persons who suffer more than anybody else from the increased prices. Others

may have gained or may have lost, as for example, the manufacturers, traders, agriculturists, etc. But the poorly paid Government servant is bound to lose by increased prices. We shall, therefore, not be justified in reducing the pay of these Government servants. Little will be gained by so doing. It cannot be held that by reducing the pay of the low-paid Government servants, it will, to any material extent, meet the deficit. The only way to meet the deficit, Sir, is by increased taxation. (*A Voice*: 'We do not want to reduce the pay of the low-paid Government servants'.) The Honourable Mr. Haichandrai Vishindas said that a very sweeping curtailment of expenditure is necessary.

Dr. H. S. Gour: From the top.

Mr. P. E. Percival: I do suggest that it cannot be done on the civil side.

There is just one other point to which I wish to refer. I have heard it stated—I am not in the confidence of the Democratic Party or of any other Party—but I understand that some suggestion is made that taxation should not be increased, because objection is taken to certain items in the Military Budget. I am sure that that is a position which will not be accepted by this House. Let us consider for a moment the constitutional position. It is simply this. There are A and B, two parts of the expenditure. A is votable and B is non-votable. Now, the Assembly may change A to A-1; and then A-1 plus B should be equal to C, the total on the revenue side. Now this amount C the Assembly may obtain in any way that they may desire, by reducing one tax and increasing another. But one cannot say that, because the Assembly do not approve of B, which is a non-votable item, therefore, they will be justified in refusing to vote the necessary taxes, in order to make up a sufficient amount on the revenue side. It cannot be held that, because the Assembly do not approve of any particular non-votable item, therefore on account of any difference of opinion in respect of that item, they would be justified in refusing to vote the necessary taxes for the administration of the country. Well, Sir, in the discussion on Mr. Mazumdar's Resolution in Simla, it was pointed out—and rightly pointed out—that this Assembly had gained a reputation for sobriety and statesmanship. I venture to suggest that that reputation was gained, more than by anything else, by the action that was taken in this Assembly last year, in March 1921, in connection with the Budget of 1921-22. Sir, I am sure the Assembly will not turn back on their decision of last year, but that they will adopt the same principle this year; that they will again rise to the occasion, and that they will do all that they possibly can to maintain the credit and the financial stability of the country.

The Assembly then adjourned for Lunch at Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President was in the Chair.

Mr. Manmohandas Ramji (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I rise very reluctantly as I have to perform a rather painful duty. But as it is a duty all the same, I feel as in duty bound that I cannot let this opportunity slip without submitting an emphatic protest to the proposals made in the Budget by the Honourable the Finance Member.

It is indeed a matter of regret to find so high a deficit as that of 34 crores of rupees. The Honourable the Finance Member realised the gravity of the situation, as his words quite in the beginning indicate. They are:

'The world was watching to see how this, the youngest of Parliaments, would meet a test, which might have strained the capacity of many an older institution.'

True; very true; really it is a very severe test through which we are passing. But then, I am afraid I must point out that the course suggested by him is not a judicious one to meet the situation. Instead of effecting any reduction in the expenditure, he comes before the House and asks for a tremendous increase in the already heavy taxation. I am sorry to find, Sir, that there is not the slightest indication anywhere in the whole Budget for retrenchment. I know that we are asked to live under hopes. We have been told that we are committed to an inquiry into the steps necessary to effect retrenchment, and also that the field of expenditure, civil expenditure, over which that inquiry is to be held, is small.

May I ask this Assembly to consider and consider seriously whether it will be right on our part to go on sanctioning more and more taxation year

after year, especially when we have been already informed by our worthy Finance Minister that there is only a limited scope for retrenchment of expenditure in the Civil Departments? I daresay some limited scope may be found in the Railway and Post and Telegraph Departments. The fact is that the expenses go up from year to year on the contrary.

Goods rates have been increased on the Railways; it is proposed to increase passenger fares by 25 per cent. Within the last few years passenger fares have gone up nearly $3\frac{1}{2}$ to 4 times. The Railway Department, I beg to assure the House, can spend as much money as may possibly be provided to it for expenses; while there is little or no possibility of reduction of any kind.

Then comes the great question of the military expenses. We have no control over the expenses. They must be paid, however exorbitant they might be from our standpoint. We are unable to reduce them by the Act, and we are not responsible for them. Within a short period the military expenses have gone up three times. The position we are face to face with is that, on the one hand, there is a tremendous deficit in the Budget, and, on the other hand, our conscience within tells us that the heavy burden of the increased taxes will be too much for the poorer people of the land, and they will not be able to tolerate the same even unpleasantly. Let us survey the whole situation calmly.

We voted for increased taxation to the extent of nearly 18 crores last year and within two years very nearly 50 crores. To make up this deficit we have to sanction a large increase in taxes, as for instance, 25 per cent. in passenger fares, 10 per cent. on the already high duty on sugar of 15 per cent., *i.e.*, altogether 25 per cent. on that important commodity of daily consumption. Machinery, ships and ship-building materials and Railway materials will have a duty which will be four times, *i.e.*, from $2\frac{1}{2}$ per cent. it will have to go up to 10 per cent. under the proposed increases. Locally manufactured piece-goods $7\frac{1}{2}$ per cent.; the duty on salt is proposed to be doubled. An enormous increase in income-tax and super-tax has been proposed. The postal rates have been doubled. Duty on yarn used on hand-loom is to be 5 per cent.; duty on matches to be four times, *i.e.*, from 6 annas it will jump up to 24 annas per gross boxes. It may be noticed very clearly that the majority of the taxes have to be borne by the poorer people of India. Salt, matches, postcards, tobacco, locally manufactured cloth and the like commodities have to be consumed by the masses of the people, who are poor everywhere, but specially so in this poverty-stricken land, poor India, *Gharib Hindustan*. The average increase in taxation within the last two years comes to one rupee and eight annas per head per annum.

Now let me say a word regarding the proposed increase in cotton excise duty. This duty is obnoxious and a very contentious history. If this duty is sanctioned, it will bring 5 crores and 3 lakhs of rupees instead of 2 crores and 20 lakhs, or roughly 2 crores and 80 lakhs more than last year. Let us now compare this increase with the proposed increase in the duty on the imported piece-goods. It is proposed to increase it from 5 crores to 6 crores and 81 lakhs. Locally produced cloth tax will increase by 2 crores and 80 lakhs while imported piece-goods have been calculated to bring in only one crore and 81 lakhs more of tax. Is this fair? Is this the way in which you are going to protect your industries? This is all evidently quite alright for the Manchester merchants, but not for us Indians, permit me to point out. We are all aware how bitterly Lancashire agitated and waited in a deputation on the Secretary of State last year, and we all know that our Government had to yield at last. I assert positively that no country or nation on earth could have tolerated such a treatment from its Government even for a moment. What right has Lancashire to dictate? I forget, Sir, that this is India and anything and everything will be possible and will do here. But permit me to point out to Lancashire that those days of dictating have gone and we are able at least to shape our own fiscal policy as we like now. The injustice does not stop here; it goes a step further still.

All the stores, dye-stuffs, sizing and finishing ingredients have been proposed to be taxed with a duty of 15 per cent. to be paid twice over. Machinery of all kinds and the spare parts thereof will bear a duty of 10 per cent. if the present proposals are to be accepted. This proposal, Sir, to subject machinery to a tax of 10 per cent. means a tax on Capital. May I ask if this is wise or just? Can a tax be imposed on Capital justly, or even wisely? I shall not answer this question. I shall simply quote the words of our distinguished past and present Finance Members.

When the Tariff Amendment Act (XVI of 1894) came up, the then Finance Member, Sir James Westland, made the following remarks :

‘Imported machinery we all accept as necessary to exempt, any other course would be tax on Capital, a tax on our own manufactures and a protection to competitors outside India.’

He further said :

‘The exemption of Machinery we based on the principle that it was undesirable to burden it with a 5 per cent duty, Capital employed in the productive industries of the Country.’

Then again last year only did our Sir Malcolm Hailey, when introducing the Budget, say :

‘In the interest of India’s industrial development increased taxation on Machinery Metal and Railway plant, is undesirable’

It will be observed by the Assembly that both Sir James and Sir Malcolm deprecated the idea of taxing Capital, and yet it is our misfortune this year that even the broad principles and the chief policy is neglected by the very same gentleman who propounded it only so far back as only 12 months, only one single year of 365 days. (Laughter) The reason is not far to seek or research. The deficit in the Budget is rather heavy and you cannot under any circumstances reduce your military expenses. Poor India has to pay countervailing excise duty on all stores and dye-stuffs twice, and also a duty on Capital! The Government of no other country could have dared to do such things. I strongly protest against raising excise duty and duty on machinery.

Let me examine the proposal to raise this countervailing excise duty more closely. Mills will have to pay by way of tax 5 crores and 3 lakhs next year against 2 crores and 20 lakhs of last year, while imported foreign goods, I mean piece-goods, will pay 6 crores and 81 lakhs next year against 5 crores of the last year. The above figures prove very clearly that the Indian manufacturer will have to pay much more than his competitor from a foreign land. Besides this a further burden will fall on the Indian manufacturers. They will have to pay nearly 10 lakhs more by way of taxes on stores, dyes and spare parts. They will have to bear further freight charges on coal, and machinery. In all, I think, the Indian Mills will have to pay 3 crores and 50 lakhs, while the duty on imported foreign piece-goods will be only 1 crore and 81 lakhs more.

This measure, permit me to point out, will protect Lancashire mills very largely and the Japanese mills only to some extent. Pray note very kindly that this charity will be at the expense of the poor Indian people. We are all aware how Lancashire agitated so that countervailing excise duty may be imposed, and the result is there, all too well known to you all to need any mention here. No other country or nation could ever bear this treatment at the hands of its Government. But this is poor India! Helpless India! May I ask if it is governed to protect foreign industries?

If the Honourable the Finance Member wanted to make up the deficit in the Budget, he should not have touched this important industry alone, but the burden should have been equally distributed over all Indian industries, such as the Iron and Steel Industry, Jute Mills, Coal Mines, Oil Mills, Flour Mills, etc. All these are companies, big concerns, why not tax them all, if that tax is justified from any standpoint or view? Why have you selected this particular industry to be penalised?

Besides this, Sir, poor Indians will have to pay double rate of tax for salt; for matches they will have to pay four times. Within the last four years, we have spent 90 crores of rupees. The taxation has been increased by 50 crores within the short period of two years, which works out at the rate of 1½ rupee more per head. Now, Sir, the question is how far and how long this increase in taxes will continue. By retrenchment you can certainly save a few lakhs here and a few lakhs there, but that will not help you unless you can reduce your military expenses by 20 to 25 crores. It rests with the Government now whether they will or can reduce the military expenses. If they do not do it now, I am afraid it will be impossible for them to govern this country. People have been taxed to their utmost capacity, they are quite unable to pay any more taxes. Reduce the expenses of the Military Department, even at the risk of efficiency and even safety; withdraw from Waziristan, reduce civil expenses, Indianise your services, and do everything possible to effect economy, otherwise it will be difficult to govern India.

The Indian Merchants Chamber suggests a diversion of 6 crores of interests in paper currency reserve and excess of gold standard reserve to revenue; they also consider cancellation of notes with dismay and fear a serious financial crisis, which will prove disastrous to trade, industries and Government finances.

Under all these conditions, and for all the other reasons that I have advanced, I consider that I must protest very strongly and oppose all demands for new taxation except increase in customs duty, with the exception of machinery and stores. I further consider that it would be best for this House not to become a party to the increase of taxes, but let the Government take the responsibility and do as they like: let them reduce the military expenses or increase the taxes as they choose or think best for themselves, for their stability and for the good of the country they are governing. Let the entire responsibility be theirs.

Haji Wajih-ud-din (Cities of the United Provinces . Muhammadan Urban): Sir, the present Budget comes as a great shock and the public in general is rather thunderstruck by the extraordinary increase all round. We anticipated a deficit, no doubt, as the prevailing circumstances are such that a deficit was sure and certain, but, when it was an admitted fact that the country is passing through highly disastrous conditions, the population is on the very verge of bankruptcy, and the discontentment was due more to economic causes than to any thing else, so, under the circumstances, Sir, it was not a sound policy to adopt such measures as may rather add to than alleviate the present sufferings and hardships. The present Budget, if adopted just as proposed, I may be excused for saying, would be nothing more than to fan the flames, and would certainly increase the depression all the more in the commerce and industry of the country, thus helping to widen the discontent in the public mind. The poor are already badly hit, and no doubt the increase in postal rates, passenger fares, and duty on articles largely consumed by the poor, will, no doubt, render them totally insolvent. I may be allowed to say, Sir, that the Government are not retrenching their expenditure as much as they ought to do, and that they should have found money from other sources than merely from trade and commerce. Sir, if the Budget were carefully scrutinized, it would be clear that the Government has not exercised economy to the fullest extent possible. The Government are well aware how far the present Reforms are approved by the country and it is feared how much more the continuous increase in the already heavy taxes and duties since their inauguration will render them still unpopular. I am afraid, Sir, the non-co-operators will find another opportunity to perturb the public mind which is already greatly disturbed. (Hear, hear.)

I would have been very glad to see the actual luxuries taxed twice as much as before, but it is highly disappointing to find many necessities of life among the luxury schedule of 30 per cent. and several of the highest necessities being proposed at somewhere near cent. per cent. Take for example, matches and salt. Can any one say that they are something else than the urgent necessities of life? The average price of ordinary matches is something about Rs. 1-8-0 per gross, and to tax them Rs. 1-8-0 per gross is surely nothing less than cent. per cent. As for common salt, I may say, Sir, that the pre-war rates were about 6 pies per seer. Even in times of war, when it was difficult to get hold of this commodity for want of wagons, the price did not go up more than one anna per seer. But now we are going to tax it at a rate of one anna per seer. (Hear, hear.) May I venture to ask my Honourable friend, the Finance Minister, who is going to suffer from this enormous and unjust taxation? None but the poor, whose daily diet is nothing but bread and salt. Sir, it is very easy to say in this spacious hall that the salt duty will tax only three annas per head per annum, but it is very difficult to realise how this three annas will be spared by the poor and how many heads will suffer for this three annas. A Persian poet has rightly said:

‘ Oh, you, Sir, whose foot not a thorn has pierced, how can you know the condition of those who are hit on the head by the sword of misery.’

Kerosene is another instance of those daily necessities on which the duty is being enhanced. The selling price will no doubt be proportionately increased, and again the poor man, who has a very limited means of livelihood, is bound to suffer. I quite agree with my Honourable friend, Mr. Darcy Lindsay, in saying that bicycles can never be considered a luxury when they are now generally used by peons both in Government and business offices throughout the country. As the House knows, I am the owner of one of the cycle importing firms in the United Provinces who import and deal largely in cycles, and I know very well that the number of purchasers of cycles who use it for pleasure purposes is very small.

Besides the increase in duty, Sir, there is going to be an all-round increase in goods freight of 25 per cent. from the 1st proximo, which will mean another substantial advance in rates on all those stuffs, and I am afraid the country will be left short of a ruinous state. By the increase of prices the consumption is bound to be reduced, as we have already experienced,

and therefore, the object of increasing the revenue will not be attained at all. May I suggest to tax gold and silver, which are so freely imported into India and are only luxuries, to double the duty on liquors, the great nuisance of the country, and to transfer precious stones, piece-goods and other textile fabrics, perfumery and marbles, from part V to part VI, as well as aeroplanes from part III to part VI; and I am sure by doing so we are to get revenue increased without cutting the throats of the poor.

Again, Sir, any increase in postal rates is another hit, especially to the poor, and an advancement from the declared policy. I would never agree to the abolition of pice postcards and half-anna envelopes, but I would suggest, Sir, that the three-pice postage may be abolished and from $\frac{1}{2}$ tola to $2\frac{1}{2}$ tola an anna may be charged, but up to $\frac{1}{2}$ tola the same $\frac{1}{2}$ anna may be continued. It is not fair that an anna should be charged on letters passing through Indian territory which is a very limited radius if compared with 2 annas charged on letters passing between India and Australia—from one end of the world to the other. May I suggest, Sir, that a universal rate of 3 annas be fixed for all foreign countries either in or out of the United Kingdom to make up the deficit in postal income.

In conclusion, I earnestly hope that my remarks will receive kind and careful consideration of the House to meet the critical situation of the country.

Mr. R. A. Spence (Bombay : European) : Sir, I would not for one moment that this Assembly should believe that I am not in sincere sympathy with the Honourable the Finance Member when he stands before this House to make his *apologia pro anno suo*. He has my sympathy in the woes which he enumerates; he has my admiration for the manly vigour with which he faces his difficulties and my high hopes that he will be able to overcome them. But when he tells this House that no part of this deficit could have been avoided, I would remind him that he closed the last year's debate with a statement that this House had given him all that he asked for and with a query as to why he should be pressed to take more than he asked for? Also, when he says that his rosy computations of the average rate of exchange throughout the year passed this Assembly without challenge or criticism, well, I cannot bring my memory into line with his

The Honourable Sir Malcolm Hailey : I rise to a point of order, Sir. I did not make the statement attributed to me by Mr. Spence; and if his memory is so good I would ask him to repeat the exact words which I did use in that connection.

Mr. R. A. Spence : I will try to bring my memory into line. I have not got the exact words for the moment; and I am afraid that the Honourable Member's memory may be a little bit better than mine, but I understood him to say that. I apologise. Anyhow, it is a very good thing that the Finance Member has a good memory. I must congratulate him on that. But, despite his good memory, I am afraid—with the tears that I am shedding this moment over my lack of memory—that this Budget is indeed a Budget of tears, and tears will contribute nothing to revenue, unless perhaps it would be to the salt revenue and that only in exiguous degree. But I must express my admiration for the way in which the Honourable the Finance Member in this transitional period of our fiscal recreation has adopted a policy of levying taxation upon consumption rather than upon production. Generally, I shall abstain from the criticism, that so many Members have gone in for, on the actual contents of the Budget. But approving, as I do, the policy of taxation of consumption, I can but express my regret that the Honourable Member has faltered in his faith, in word though not in deed, by the introduction of that disastrous word 'excise,' the lasting anathema of every manufacturer in India. What he has proposed is not an excise tax; it is in reality again a tax on consumption, and if he will but re-name it so—and from his speech he evidently does intend it to be so—I am sure that much of the opposition which this obnoxious word will produce will disappear

Mr. Jamnadas Dwarkadas : Not at all.

Mr. R. A. Spence : I hope so. I want it to disappear. Moreover, I find myself unable to comprehend why, with yarn, one of the staple products of India, he should desire to place any lower duty on the importation of the half manufactured material which is, as we all know, in direct conflict with the productions of this country, than upon the importation of the articles which are manufactured therefrom, thus giving a clear bounty to competitors in raw material. Again, I would point out that there already exists a material industry in India connected with the manufacture of cigarettes of low price. This industry is stimulated and wisely stimulated by the fact

that the duty on unmanufactured tobacco is comparatively a low one, but the effect of this wise provision is discounted by the fact that the duty imposed upon imported cigarettes is an *ad valorem* one, thus stimulating the competition of that which this country can produce, while sterilizing the trade in that which it cannot. Now, the Honourable the Finance Member is better acquainted with figures than I am; but I doubt if he will contradict me in what I say now, that is, that the figures of last year show that, if this duty were changed from an *ad valorem* duty to an all-round duty of Rs. 4 per pound on cigarettes, the revenue would have been materially increased.

One of the reasons which the Honourable the Finance Member has given for no change in the duty on cigarettes is that any change would produce a smaller revenue, and, if you come to think of a tax of 75 per cent. on the value of the cigarettes, naturally any change higher would produce a smaller revenue, but I maintain that the duty changed from an *ad valorem* one to one of Rs. 4 per lb. would give the Honourable the Finance Member a bigger revenue than he is getting at present. I only hope that he will agree with my figures, and we all want more money. I say that the revenue would be materially increased, but the protection of the existing industry would in nowise be impaired and the importation of a better article than can be locally produced would not be beyond the bounds of possibility.

Well, Sir, to my mind two points stand out steadily to be conserved by all lovers of India. These are stability of Exchange and some effort to produce a scheme of forward finance which will lead to the eventual assimilation of the indigestion patch in our finances created by the war. On these two points the Budget which is before us is less remarkable for what it contains than for what it omits. I would remind the House that the period of pre-war prosperity which visited India was almost entirely built up on a stable Exchange which enabled our stream of commerce to flow abroad into those channels which most required its irrigation unchecked by serious fluctuation. Now, the Budget newly introduced, with its threat of the forced resumption of sales of Council Bills, is most depressing in its forecast of Exchange, and, the lower the fall of exchange, the greater will be the loss to India by this operation. The Honourable Member—I am doubtful, my memory is so bad—but still I think that the Honourable the Finance Member has clearly foreseen this, for in his remarks upon Exchange, he, the prophet of 1/8, holds out to us no higher possible prospect than 1/4. Last year the Honourable the Finance Member laid a leaden hand on luxuries, and stern ascetic that he is, classed in this category such everyday essentials as umbrellas and motor cars. But there are two conspicuous luxuries imported into this country which in value outweigh almost any other import and yet of one the Honourable the Finance Member would appear to have said:

‘By Jove I am not covetous for gold.’

and of the other

‘Silver thou pale and common drudge, I’ll none of thee.’

With regard to gold, I would like to disarm criticism by saying that I am referring to gold that is used in the arts, if that might satisfy the Honourable the Finance Member for the moment. But, as you will understand, taxation by way of import duty of these two important imports would not only help the Exchequer directly, but would serve to steady Exchange and minimise the effect of the resumption of the sale of Council Bills. Now what India wants, I am not going to repeat again that little story of my friend, the Honourable Mr. Abul Kasem, who told us about wants, but what India wants is neither high exchange nor low exchange, but a steady exchange which would enable her to enter the world’s markets with her surplus exports untrammelled by one of those fluctuating factors which forecast friction and forbid fruition. I desire to commend this matter to the consideration of this Honourable House and ask them to consider it without the prejudice which is derived from precedent.

Turning to another point, I would remind the Honourable Member that but a year ago he expressed his desire, and lamented his inability, to be honest with his creditors. Since then, two committees have sat and reported on the subject, but no word of reference to their deliberations has found a place in his weighty and well considered Budget speech. Is he still of the opinion that he would wish to be honest were honesty so expensive as virtue?

The Honourable Sir Malcolm Hailey : What about?

Mr. R. A. Spence : That was, you may probably remember, Sir, about the committee which sat about the 3½% loan.

‘In commercial practice it is the common habit of Companies to provide for a debenture loan by laying for a period of years an equal charge upon

revenue to provide for interest and sinking fund, but the Government of India has never been the pupil of Commerce, always its preceptor, as witness that compendious tome, the Indian Companies Act, which enjoins upon all and sundry that they shall, under divers pains and penalties, prefer their public accounts in a manner different to that in use by the Imperial Government. Were the method common in the uninstructed and popular world employed by the highly-trained and carefully-selected Government of India, the funds which the Honourable the Finance Member has already allocated for this purpose would be sufficient not only to redeem in their due course the loan to which they are specifically attached but would serve also to attach a sinking fund of one half per cent., to the $3\frac{1}{2}$ per cent. rupee loans held in India enabling them to be extinguished by repayment in 60 years at par.

What would be the effect of the re-distribution of these funds already allocated? There would be no further drain on the already exhausted revenues, but the old premier security of India, still a favourite, despite its diminished charms, would increase again in favour until by a pure process of arithmetic it carried with it all Government securities on to a higher plane of price and rendered more easy, first, the considerable loan which the Honourable the Finance Member counts that he can raise this year in India and, finally, the eventual absorption into a funding loan of that to which I have already referred as the indigestion patch in our finance.

Ten years ago, a Finance Member who proposed to raise a loan of 25 crores in India in a single year would have been classed as a madman. To-day he is not. It is not so difficult, but at what a price, what a price for ourselves, what a price still more to our grand-children when prosperity has returned and eaten up the aftermath of war!

Let but the House have sufficient patience with me to consider these two points. Doubtless, there will be many critics of that which the Budget contains and indeed it is a hard task, it is a bitter task, to vote such heavy new taxation, but let the House devote some small degree of its attention not only to what the Budget contains but also to it what it omits and, with that facility which is given to trade by steady Exchange, with that ease which is given to finance by generally lower interest, the next year of our finance, which comes before us for consideration, may be one of greater ease to ourselves, of greater prosperity to this country, and of less deep anxiety to the Honourable the Finance Member to whom we all owe a debt of gratitude for the guidance that he has given us.

Mr. T. V. Seshagiri Ayyar (Madras : Nominated Non-Official) : Sir, the Budget which was introduced this year has been received with a chorus of disapproval and disappointment throughout the country. There have been four successive years of deficit, and the deficit has been mounting by crores of rupees. Therefore it is impossible for this Assembly to shoulder the responsibility, having regard to what is in store before us. Sir, the Honourable the Finance Member has told us that the position is not likely to improve soon, and, although Mr. Spence has been more optimistic than the Finance Member in believing that better years and greater prosperity are before us, I believe the House will agree with the Finance Member that there is no near prospect of our returning to normal conditions. Under these circumstances, Sir, this House will have to consider deeply whether it can commit the people of this country to the Budget which has been presented to us. If it is a passing year of deficit, we might with a clear conscience vote for some of the items which the Finance Member has asked us to vote for. But, Sir, with the prospect of such a Budget as this continuing for years to come we will have to see whether we should undertake the responsibility that the Finance Member has asked us to do. As has been pointed out by Mr. Manmohandas Ramji, I think this House will be justified in telling the Finance Member, we will have none of that responsibility. You have brought us to this position. You have for years together been heaping up the deficit and you should not ask us to share your responsibility, because the responsibility is too heavy; the responsibility is solely of your making.

Sir, I had intended to speak this afternoon about the position in which we find ourselves and to omit any reference to the details of the Budget, because many Honourable Members have spoken about the details and we shall have in the days to come something to say about them. But, Sir, the remarks which Mr. Spence has just now made compel me to say a few words upon one or two points which he has mentioned.

Now, Sir, he said that objection to the excise duty was because it had a very bad history, and because it was protested against ever since it was brought into existence. He proposes to give this vicious dog a good name and call it 'consumption' and make it grow fatter. Now, Sir, if Mr. Spence's memory,

which seems to be failing very often, serves him right, he will find that the 4 per cent. duty which is intended to be added to the import duty is exactly countervailed by the 4 per cent. duty which has been added to the excise duty. It is 11 per cent. at present, and is raised to 15 per cent., and in order to placate Manchester, you are raising the $3\frac{1}{2}$ per cent. excise duty to $7\frac{1}{2}$ per cent. It is exactly what is known in mercantile parlance as countervailing excise duty. It is against this countervailing duty that we protest. It may be said probably some colleagues of mine will say—that we have examples of excise duty in Japan. But if you look at the history of Japan, you will find that there is no countervailing excise duty. There is excise duty of a kind, but undoubtedly there is no countervailing excise duty in Japan. Nor do you find in England anything like a countervailing excise duty.

Now, Sir, with that ease of conscience which has characterised the speech of Mr. Spence, he has suggested that there should be a duty upon yarn. If this duty upon yarn is put on, the Finance Member will find that he is throwing out of employment about 6 million people who are now dependent upon its free import. I am coming from a part of the country where this foreign yarn is being utilised by the hand-loom industry. My friends from Bombay have told you that you are killing the power-loom industry by the imposition of the excise duty. You would undoubtedly kill the hand-loom industry if you are going to impose a duty of 5 per cent. upon yarn. Let there be no mistake upon that matter. The hand-loom industry is the only industry which is really at present competing with the goods we have from Manchester, and, if you are going to put a 5 per cent. duty, you would throw out of employment a large number of people, and the Madras Government especially will have to provide relief camps for the people. Therefore, Sir, I want to enter my emphatic protest against the suggestion which has been made that there should be an import duty upon foreign yarn. Now, Sir, the Honourable the Finance Member has patted us on the back and said that we have behaved like good children, and that we should in this year also behave like good boys and pass the Budget which he has presented to us. I hope he will not end by saying that we have behaved like naughty boys. Sir, the world should understand what the position of this House is with regard to Finance. We have been handicapped in every direction, and we are asked now, after having been put in that position, to vote for a heavy deficit Budget. Our hands have been tied by increasing the pensions, by increasing the salaries and by increasing the cost of the machinery of administration, and, what is more, we have been told that we cannot lay any hand upon the heavy, all-consuming Military Budget; the fiat has gone forth that the Law Officers of the Crown have advised that that matter cannot be voted upon by this Assembly. If that is so, then it is the Government that should take the responsibility. If the Government are going to have Rs. 62 crores for the Military Budget, let them find ways and means. Let them not say that the House is responsible for the expenditure of this country. Now, Sir, as regards the Military Budget, I was reading the day before yesterday a Reuter's telegram to the effect that when the Geddes Committee sat, the Committee hoped that India would reduce the military force in this country by about 7,000 men. The Chancellor of the Exchequer tells us now that it has since been found that they cannot make the reduction. Why? I hope that somebody would explain why it was thought at an early stage, when the Geddes Committee was sitting, that it would be possible to reduce the military by about 7,000 men and why the Government has advised now that they cannot reduce it by even a single battalion. I should like to know the answer upon this matter. Sir, it has been said that it is wrong to say that half of the income is being swallowed by the military budget. Some writer in a paper has told us that you must take into account the amount which is being collected in the provinces, and that, if you take the Budget of the provinces as well as of the Government of India, you will find that one-half is not the amount which is being spent upon the military. Sir, if you take that view, you must also take the expenditure which is being incurred upon the maintenance of the Police. A large amount of money is being spent in the provinces for maintaining the Police. If you take the amount which is being spent in maintaining the Police, and take the amount which is being spent upon the military, then take all the amounts which are budgeted for in the various provinces and by the Central Government, you will find that the expenditure upon these military and quasi-military forces is not less than one-third of the amount which is being received by way of revenue. Now, I ask the Finance Minister to say: 'Is there any country in the world which spends half of its income upon the military? Is there any country in the world which spends one-third of its income upon the military?' Now, Sir, it may be said that, to a certain extent, the situation in the country compels the Government to maintain this large military force.

May I be permitted to say that, although a great deal of responsibility rests upon the people who have contributed to the unrest which is prevailing in the country, the Government is not altogether without responsibility for what is going on now. Some of us, night and day, have been trying to induce the Government to take steps to bring about a reconciliation, to bring about peace and good will. All our efforts have been treated with contempt. We have been told that we are fools for the pains that we have taken. That certainly has accentuated the situation. That certainly has made the position of the country worse, and if you say now that you are going to retain the military strength and that you are not going to disband a single unit of these 7,000 soldiers which you had promised the Geddes Committee you would do, you cannot say that the people of this country alone are responsible for the state of things that you find to-day. Sir, we have been told that the hard fibre of the English and their determined attitude would see that the country is saved from anarchy and that peace and order would be maintained. If you are going to rely upon this kind of weapon, then certainly we in this Assembly have with regret to tell you that the responsibility should be solely yours and we shall have none of it. Sir, I want to say a few words upon the position in which this House finds itself. The Honourable the Finance Member has told us that it is on this House that the responsibility for accepting or rejecting the Budget would rest.

The Honourable Sir Malcolm Hailey : Did I? I do not remember saying that.

Mr. T. V. Seshagiri Ayyar : Certainly he told us that we have behaved like good children and that he hoped we would behave like good children this year also.

The Honourable Sir Malcolm Hailey : I am afraid I never used the words which the Honourable Member attributes to me.

Mr. T. V. Seshagiri Ayyar : In the speech on the Budget you did say something like it. Probably I have put a very bad paraphrase upon your language, but there is no doubt that those are your sentiments.

This is what you said :

'The responsibility was heavy, for the world was watching to see how this, the youngest of Parliaments, would meet a test which might have strained the capacity of many an older institution.'

Certainly, that means that we have once before behaved very rightly towards you, and you expect us to behave again rightly. Now, the question that forces itself upon one's attention is this. Are we given a free hand? Are we in this country the masters of our financial position? I have already referred to one aspect of the question, namely, that we have not a free hand in regard to the shaping of the military policy. I told you also that our hands have been tied by the increase of pensions, increase of salaries and increase in the cost of administration. Again, so far as the Gold Standard is concerned, it has been fixed at two shillings for a rupee. Are we responsible for this? Have we any right to vote against this policy? Have we any right to say that the rates between gold and silver should not be a two-shilling standard? Then, again, what about the Gold Standard Reserve? Have you attempted to bring the Gold Standard Reserve here? Have you been able to do it, and have you been able to coin gold here? You have not given us any rights, and can you say that we have fiscal autonomy that will enable us to deal with our financial administration in the way in which we would have to deal with it?

Sir, take the position of the credit which this country now enjoys. In the days of the East India Company, they were able to borrow at the rate of 5 per cent. in 1842 and 1843. Later on, they were able to get money at 4 per cent. and, even after the Mutiny, the Crown was able to get money at 3½ per cent. In 1896, it was able to get money at 3 per cent. Since 1896, the credit has gone so low that in 1921, we were obliged to pay 7 per cent. In 1914 and 1915, we had to pay 5 per cent., in 1919, 6 per cent. and in 1921, 7 per cent. That shows, Sir, that the credit of this country has gone very low.

Sir Montagu Webb : What about the War?

Mr. T. V. Seshagiri Ayyar : Now, Sir, Sir Montagu Webb asks me whether the war is not responsible for this high rate of interest. Certainly India has never been engaged in war. India has all along been enjoying peace. India, no doubt, assisted England with men and money, but certainly there has been no war in this country and, if you have been able to borrow at a high and heavy rate of interest, that shows that you have no credit in the country; therefore it is impossible that you can ever ask this House to meet the responsibility either by borrowing or by relying upon credit.

Sir, there is one matter upon which I should like to say a word only because the time is pressing; and it is this. The Finance Minister can rightly say that none who has hitherto spoken has suggested any constructive programme. With his permission, I would say a few words upon that matter. The contributions from Native Princes were fixed at a time when the cost of the Administration was hardly a third of what it is now and when the cost of the military undoubtedly was not one-third of what it is at present. Now, Sir, I ask the Honourable the Finance Member, has he ever directed his attention to that? Has he ever considered whether it is possible to levy a further contribution from these people who enjoy peace and prosperity in consequence of the heavy expenditure which we have incurred? There is one other matter which I would mention. I have privately talked to the Finance Member upon that and I have also written to him upon that point. I have drawn his attention to the fact that the Permanent Settlement is a matter which is ruining the peasants and a change in which is capable of bringing in a good revenue to the country. It is true that it is a matter relating to the provinces. Unless you repeal the law (Madras Regulation XXV of 1802), the provinces cannot do anything in the matter. The provinces are, no doubt, directly interested in raising more revenue, but it is your Act which is standing in the way of the provinces reaping the benefit of such a policy as that, and, therefore, it is your duty to bring about the possibility of raising more revenue by a change in the Permanent Settlement. I do not think that I have exhausted all the avenues from which money can be got, but I must certainly say that the expenditure which you are now saddling the country with is beyond its capacity. There must be considerable reduction in the expenditure, both on the civil and the military sides. There must be an honest attempt to see that the expenditure is not allowed to grow more and more. If that is attempted, I am quite sure that you will be able to meet the situation. As has been pointed out by the Finance Minister, this is not a stray instance of taxation. This is likely to be a recurring one and a permanent one. I must say that this House will not be justified in passing the Budget, as presented to us, unless we have some guarantee that further attempts will be made to reduce expenditure and to ease the situation in the country.

Prince A. M. M. Akram Hussain Bahadur (Calcutta and Suburbs: Muhammadan Urban): I rise, Sir, to offer to the Honourable the Finance Member my sincere condolence on the financial situation of the country which was revealed to us last Wednesday, and I wish, if I may, to make a few general remarks of a common-place character. These may not contribute to the wisdom and sagacity of this Assembly in tackling the crucial problem, but will go to strengthen those common-sense principles, which, from the very fact of their being too common place, are apt to be overlooked. The heavy deficit of 34 crores in our Budget Estimates for the current year is more or less double of the anticipations of last year. That the figures of the Honourable the Finance Member should have shown so great a disparity between the forecasts and actuals is a matter of great regret. Be that as it may, the country is faced with a grave financial breakdown and in this connection a few observations perhaps will not be out of place. It is to my mind a principle of no small moment, as applicable to corporate bodies as to individuals, that the expenditure must never, or seldom if ever, be allowed to exceed the income. Nay, the adjustment between the revenue and expenditure must always be so arranged as to leave a surplus which should go to swell the reserve upon which we must depend in times of exceptional need. That, Sir, may be a very common and elementary principle, but none the less a very wholesome and potent principle, which the Government cannot remember too well. In contravention of that principle, what do we see? We see that the Government for the last 4 years running have been spending far in excess of what their normal revenues entitled them to. Instead of drifting along haphazardly, spending money thoughtlessly, it were better perhaps if Government presented to the Assembly a cut and dried programme of their expenditure not only in the current but also in the following year. If there is unfortunately reason to anticipate that the normal revenues of the country will be inadequate to meet the requirements—requirements which must obtain the sanction of the Assembly first—money may be raised to meet the situation by fresh taxation before the Government committed themselves to the incurrence of expenditure. It seems to me that there would be little difficulty to get the support of the Assembly to do that, provided that the House was convinced of the immediate utility of each item figuring on the programme of expenditure. To my mind, Sir, that would be a course by far more preferable to the one in practice now, *viz.*, that of spending money *ad lib.* and then by showing a deficit in the Budget to win the sympathies of the Assembly and obtain its consent to increased

taxation. This may be a more strategic move, but it certainly is not one commensurate with safety. On the other hand, it is fraught with the grave risk of a further enlargement of the gulf existing between revenue and expenditure which it is sought to bridge over. It is of imperative necessity that, by practising steady economy resulting in yearly surpluses, we build up a big national reserve and thereby relieve the poor man's sufferings by a diminution of taxation.

I trust I shall not be misunderstood by the Honourable Sir Malcolm Hailey. We share with him to the full the misfortune which is as much of this Assembly as it is his. We sincerely regret that his regime of office as the keeper of the Public Purse should by circumstances of an uncontrollable character, be so abundantly strewn with such wide and varied difficulties for the creation of which he, at any rate, was not responsible. I am inclined to think that a good deal of the dearness of money is due to world causes as pointed out by him, and is to a great extent the direct sequel of the great European War, from the effects of which it will be some time before we completely recover. There is something else which may have an appreciable bearing upon the finances of the country, and, in this connection, it will perhaps be not inopportune to take note of the forces of disruption which tend to increase the internal disturbances and the menace to security of life and property which manifest themselves fairly frequently. Thanks to the firm policy of Government which has at last been decided upon. I, for one, am not without hope that matters will sooner or later right themselves and follow the normal peaceful course. I have taken cognizance of a possibility of complications because it behoves us to be circumspect. To be forewarned is to be fore-armed, for it may so happen that, owing to these revolutionary tendencies in the country, the Budget of the Honourable the Finance Member may assume a different complexion indeed. I hope, however, that these fears may never be realized and may prove quite groundless. We should, however, do well to provide sufficient funds to Government not only for their present legitimate needs, but, also, if the Assembly is as cautious as I should myself like to be, to enable them to tide over their possible unforeseen difficulties in the near future. With this object in view, I shall heartily support the proposition of Government to raise additional money by increased taxation in so far as it may be equitable and just and only to the extent to which this already over-burdened country is able to stand it. And I hope this Assembly, imbued as it is with a spirit of co-operation and determined as it is to shoulder the responsibilities and burdens of the State, should accelerate the passage of measures which will bring in additional revenue, if possible even in excess of the present needs of administration. Let us not apply our pruning knife to cripple the resources of Government. That instrument should be reserved only for items of expenditure. The various demands for grants, so far as may be possible, should be met with a sense of responsible generosity.

Sir, no one can for a moment deny that a beneficent and efficient Government must require money to bring into fruition those objects of public utility which benefit countless thousands, and to maintain security and peace both from outside aggression and from internal disorders. It is, I think, the good fortune of this country that it is governed by a race that is not likely to show a clean pair of heels at the first signal of danger and one that has given through ages ample proof of its tenacity of purpose and dogged determination. To a deep thinker, it ought to be a matter of pride that it has the privilege of being under the protection of a confidence inspiring people; for the ends justify the means. This country, therefore, as long as it does not succeed in a complete and effective self-organisation for its own defence, must ungrudgingly pay for the up-keep of that Army upon which it has depended for its safety so long. It is no use to bewail the large percentage of the country's revenue which the military expenditure consumes and must necessarily consume. The high ratio existing at present can only be lowered with the increasing freedom of the country from internal troubles and the greater preparedness of its people to rise against a common foe in times of war and a progressive co-operation with Government in times of peace.

Regarding those items of expenditure over which this Assembly exercises its right of vote, considerable progress can be made, if we set our faces resolutely against all costly schemes of doubtful necessity and in personal nature for some time to come, until the finances of the country are rehabilitated once again. There is, to my mind, Sir, considerable scope for discretion, for economy, perhaps also for retrenchment; and, if we carefully go about the business with the requisite thoroughness and precision, I am positive we will be able to do much good. Circumstances may render it essential to tap the resources of the country, but they must be applied to the best advantage and for the most pressing need of the country. I hope, therefore, Sir, that, while expenditure

must face the severest scrutiny of this House, we should, in the matter of placing money at the disposal of Government, on which depends primarily the efficient administration of the country, clear our minds of all passions and prejudices and discuss and deliberate upon each and every demand on its intrinsic merits. We must not unwarily and unintentionally thwart Government in their necessary equipment of money. We should not oppose their desire to raise duties and taxes unless we have some alternative suggestion to replace specific proposals. The high and unprecedented deficit which we all deplore has to be met somehow. The manner in which we treat the country's need for money will be the true criterion of our high sense of responsibility and an assured test of our fitness and foresight in the eyes of the world, a test which we stood so nobly in the first year of our existence. With these words, I appeal to the House earnestly not to lose sight of the fact that they have to preserve as well as to augment their reputation for sagacity established last year. May Heaven guide them in the right path.

Sir Vithaldas D. Thackersey (Bombay Mill Owners' Association : Indian Commerce) : Mr. President, I could not help sympathising with the Honourable the Finance Member when he unfolded his tale of woe in presenting the Financial Statement on March 1st. I would call this Budget, for want of a better word, an Insolvency Budget, both in respect of the financial position and in respect of the method of taxation. Before I go to the figures presented before this House, I should like to associate myself with the remarks of the previous speakers in condemning the large and increased expenditure on the military side of the Budget. I also associate myself with my Honourable friend, Mr. Jamnadas Dwarkadas, in his condemnation of the excise duty and the duty on machinery. I will not, therefore, take up much time of the House in speaking about the excise duty as I had intended as a representative of the Mill Owners' Association on this Council. The Honourable the Finance Member told us the other day that sheer financial necessity compelled him to make proposals to levy the duties which he had suggested. But in doing so, I submit, Sir, that he has overlooked the sound principles of taxation in his great anxiety to find the money. He thinks (he has not said so, but from the language used in his Financial Statement it appears so) that the excise duty on cotton goods proposed by him is quite sound, because it is a consumption tax. May I refer him to the debates in the year 1894 when Sir James Westland and other Members of the Government, one after another, admitted that they did not approve the proposed Bill as based on a sound principle of taxation, but that they had to levy that tax because they were compelled by the Secretary of State to introduce that Bill. Further, we must give due credit to those Members, for when voting for the Bill, they one after another got up and said that they had to vote for it on account of the mandate; otherwise they were opposed to the Bill. Now, the times are changed when the Finance Member, in the second year of this young Parliament, as it has been called, comes forward and says that, because of sheer necessity the increase in the excise duty is based on a sound economic principle of taxation. At that time, Sir, protests were made inside the House and outside in the country. The great movement of *Swadeshirism* had its birth from that day. When sheer protests did not count for anything, the people started the movement of *Swadeshi* on that occasion. The Congress every year passed Resolutions of protests, the Industrial Conference also passed Resolutions of protests and there was absolute unanimity in the country against the excise duty. My Honourable friend, Mr. Jamnadas, has already told you about the declaration of Lord Hardinge. I may further refer you to the speech of Sir William Meyer in introducing his Financial Statement of 1917-18. Now, Sir, no country in the world taxes its own industries, and particularly industries like cotton industry, which, owing to favourable circumstances in India, if properly encouraged and helped, would be able to supply 80 per cent. of the requirements of the country. (Hear, hear.) The industry at present supplies 40 per cent. of the country's demands. If my calculations are correct and if the machinery which has arrived now and the extensions contemplated by the mills are taken into consideration, by next year they will be able to supply perhaps 60 per cent. of our demands.

I am sure this House will never subscribe to any policy which will prevent the Indian cotton industry from supplying 80 per cent. of the Indian demand. The remaining 20 per cent., which is very fine count, and which is used by the rich, may be imported from abroad. The great objection to this duty is the way in which it is levied. It is not a tax on profit; it is a tax on production, and it weighs most heavily when a depression in trade occurs. On the one hand, owing to a depression in trade, you show a loss in your mills; in the same year, you pay a lakh or a lakh and a half for taxation. The weaker Companies, in such circumstances, go to the wall, and their liquidation

is hastened by a policy of this kind of taxation. The cycles of good trade and bad trade come to this industry as they come to any other industry. You will find—let us not go to very old times—taking the present century, that 1901-02 was a year of depression; 1907, 1908 and 1909 were years of depression, and 1913-1914 was a year of depression, when eight or ten mills went into liquidation and sold for a song. It is only during the last four or five years, owing to the difficulty of securing machinery, that the present prosperity has lasted, and the advantage of this prosperity is that our production during the next two or three years will increase by 20 or 25 per cent. Everyone in the country has a chance of taking up this industry and it will increase the prosperity of the country and supply the needs of the people. There is no monopoly in this industry.

Sir, the principal competitor in the Indian market is not Lancashire. It is Japan. With their bounty-fed freights, their cheap freights for importing raw materials both from India and America and sending out their production in their bounty-fed boats; with their home market fully protected, where they can sell their goods at a higher rate, in order to enable them to dump goods in India and elsewhere; all these reasons make Japan a great competitor of India. So far as Lancashire is concerned, in the history of our industry, the millowners have never asked that Government should protect their industry. All we say is that a home industry is not to be taxed simply because you are having an import duty for revenue purposes.

According to the proposal of the Honourable the Finance Member, the Indian cotton industry is to be placed in a worse position than at present. Government propose to increase the duty on imports by 4 per cent, but they have increased the duty on machinery by $7\frac{1}{2}$ per cent. and on stores by 4 per cent.; and in that way they have increased the cost of production to a greater extent than 4 per cent. Now let us consider this duty from the point of view of the consumer. There is no doubt, and I quite admit the statement of the Honourable the Finance Member, that the duty is ultimately paid by the consumer. It is only in times of depression, when competition to sell goods is keen owing to the supply being greater than the demand, that the tax is borne by the industry and, during such times there is greater harm done to the industry; but in ordinary years it is paid by the consumer. Then let us calculate what the consumer shall have to pay by this duty. If you will look into the accounts of a Joint Stock Company, you will find that the total amount of duty paid, income-tax and super-tax, and the duty on stores and other articles, come to about 10 or $10\frac{1}{2}$ per cent. on the cost of production. If you increase the duty by 4 per cent., it will come to over 15 per cent. on the cost of production. Now 15 per cent. more from the poor would mean about 3 annas per pound or 1 anna per yard, taking the average cloth. Now, what do you think one man requires? The poorest man who wants to clothe himself without any luxury, must have 10 yards at least per year, perhaps one pair of dhoties and 4 or 5 yards further to cover himself. I think 10 yards would hardly be enough for this purpose, but let us put it at 10 yards. In that way, by this duty you are taxing the poorest of the poor 10 annas per head, and, as the Government know clothing for a person is as necessary as food and salt.

The Honourable Sir Malcolm Hailey: I must really apologise for interrupting, but I am very desirous to get the Honourable Member's exact point. Would he mind letting me know whether he attributes that to the 4 per cent. or to the total taxation?

Sir Vithaldas D. Thackersey: The total taxation levied on the Indian mills will work out to 15 per cent. We have to remember, Sir, that, whether Lancashire pays nothing or pays 15 per cent., any burden that you put on the Indian cotton industry whose production is used by the poor, falls on the poor. Even if you imported Lancashire free, that would not help the poor, or, if you put 30 per cent., that would not help the poor. The poor use our cloth, and they have to pay what you charge on the home industry. So far as the coarse cloth is concerned, there is no outside competition. It is the internal competition of the mills which brings down rates, and the very fact that every fourth or fifth year you get a depression in the trade is sufficient indication that there is free and open competition.

Now, Sir, how much does the cotton industry pay to Government? Take last year. It has paid in the form of income-tax and super-tax about 3 to $3\frac{1}{2}$ crores, and there is the excise duty of $2\frac{1}{4}$ crores—a total of $5\frac{1}{2}$ crores. If the needs of the country are greater, if industries must be taxed, then the cotton industry has not the slightest objection to bearing a further share of the responsibility of governing the country well. But let that tax be on all industries equally, and not on the cotton industry alone, because the facility

of collecting it in the cotton industry, as I am told, is greater. To say that facility of collection rule should govern the decision in this matter is not a right argument.

Now, Sir, I said at the beginning of my remarks that I consider this Budget to be an Insolvency Budget. The House will permit me to explain why I think so.

For the reasons that I shall enumerate later on, the position of Government is very serious indeed; and I wish to make myself very clear on this point; because any action we may take, or the Government may take, will bear greatly on our credit. We find that, in the next year, Government have provided for raising Rs. 25 crores in Indian loan, £17½ millions in England, *i.e.*, about Rs. 25 crores, and Treasury Bills to the extent of Rs. 131 crores; and the rest of their requirements, *viz.*, 39 crores, they wish to transfer to the Paper Currency Reserve; that means that, during the next year, the Government is going to have or must have Rs. 212½ crores in order to conduct the affairs of the country. If there is any difficulty in securing the loan or if their credit is jeopardised, then I think not only will Government suffer, but the whole country will suffer and there will be great confusion in the country. We must admit that, and we must have a clear notion about this critical position of the Government. Now, anybody who has anything to do with these loans and commercial matters will agree with me that before the war, in 1912, 1913, and 1914, when Government wanted to raise Rs. 4 or Rs. 5 crores by loan, there was a tour of the Finance Member, going to Calcutta, consulting the merchants and the bankers and then going to Bombay and finding out how the loan of Rs. 4 or 5 crores could be raised. Five years earlier still, it was only a question of Rs. 2 or 3 crores. Now Government has taken the responsibility of conducting the country on the assumption that they would be able to borrow Rs. 212½ crores in the next year. I am afraid Government may not be able to get Rs. 131 crores in Treasury Bills if trade revives. Even at present, Government are borrowing through their Treasury Bills at a higher rate than the Presidency Banks are willing to pay for a poor three months' deposit. It is not the want of credit of Government; it is the enormous amount of money, the floating debt, that causes this high rate of interest. It also affects the merchants because the higher the rate Government pays, the merchants have to pay a still higher rate; the amount of money circulating in the country is the same. The merchants and Government are competing against each other and try to secure the same money, and the rate of interest in the whole country goes up; a most unsatisfactory feature, so far as this part of the financial condition of Government is concerned.

Now, Sir, let us consider what the causes of this condition are. In the first place, the condition has been brought about by the way, by the careless way in which the expenditure has enormously increased.

If our military expenditure had been during the last two or three years what Lord Meston suggested or thought proper, we would have saved perhaps 60 to 65 crores of rupees in that one item alone. Then the salaries of all civil officers were increased. When I was in London in 1919, I was authoritatively told that it was suggested from India that the salaries of all the civil officers should be increased and that India would be able to bear the burden, owing to the exchange rising to 2 shillings and on the assumption that the exchange would never come down and the profits would cover more than the increase. To-day it is 1s. 3½d. With regard to this, I may say in passing that my Honourable friend, Mr. Spence, in his speech to-day wants Government to stabilise the exchange; but, when I brought forward a Resolution to appoint a Committee to inquire into the manner in which the exchange can be stabilised I did not then get the support of my friend. I hope, when the matter comes up again in September, I will get his support.

Now, Sir, the causes of our present troubles date back to the year 1917-1918. In the early stages, owing to war exigencies we helped England and sent our exports. But there was not sufficient reason why, after the war was over in 1918-1919, we sent our exports without receiving payment for them in cash. When I was in London in 1919, the figures I saw there—if my memory serves me correctly, if I am wrong the Honourable Member will correct me,—our balances in London were between 150 and 170 million pounds. What we did was, we exported our goods and other requirements of the war and we received payment in gold in London, invested it there and reduced our resources in India. It brought about the currency crisis. I will not lengthen that argument, because I have already alluded to it when I moved my Resolution regarding currency and exchange. Apart from our loss of credit when the currency crisis came in, all our money was

returned by the Reverse Councils at Rs. 8 to Rs. 10 per £. We received payments for our goods in sterling at Rs. 15 and when remittances were made to India, they worked out to Rs. 8 to Rs. 10 per £. I do not know how much India lost by this process, whether it lost 50 crores or 70 crores, but a Government Department alone can calculate exactly the loss sustained.

Then came, Sir, that mad policy of raising our exchange from 1s. 4d. to 2s. in spite of strong protest, and following it up by the still madder policy of selling Reverse Councils and forcing Reverse Councils,—for what object, we, at least, in India did not understand,—with the result that the loss that we incurred in this transaction was enormous. But may I ask why the Government of India did not follow or insist upon following the same method which America followed when it sent its goods to England? England bought a large quantity of munitions from America. What America said was : ' Give us the value of the goods ' When England could not remit cash, she commandeered American securities in England and handed over to America those securities, and for the balance of its dues borrowed money in America. If we had followed the same policy, England may have commandeered our gold securities in England ; or, at least, if we had insisted upon the British Government giving us receipts in rupees, these crores and crores of rupees would have been saved and the condition of our finances would not have been brought to this unenviable position.

Mr. President: I would ask the Honourable Member to bring his remarks to a close.

Sir Vithaldas D. Thackersey: Yes, Sir, I will finish now. I will not go into this matter any further, but I will place before the House the conclusions I have arrived at after studying the Budget. In the first place, Government should reduce their Budget loss by at least 11 crores of rupees. Under the Paper Currency Act, Government have credited 6 crores of rupees, being the interest received on the investments of the Paper Currency Reserve and the excess in the Gold Standard Reserve over and above the figure of £40 millions, to the Paper Currency account. The said Act was passed, when we valued our securities at 2s., but now the exchange is 1s. 3d. and I do not think anybody believes that it will ever go to 2s. I think therefore that our Gold and the Gold securities in the Paper Currency Reserve should be revalued on the basis of 1 s. 4d. and the said 6 crores of rupees be credited to revenue.

The second item I object to is that we are debiting to revenue 5 crores and 6 lakhs of rupees which we pay as annuities for the purchase of Railways. I can understand debiting to revenue interest charges, but I cannot understand how you can debit to revenue our capital charge, that is, the amount we pay in instalments to the old shareholders for the purchase of Railways. It is really not a revenue charge. It is a capital charge. In that way, about 8 to 10 crores may be saved. My further conclusion is that Government must make up their minds before the Finance Bill is placed before us on the 20th instant whether they are prepared to reduce the military expenditure or not. It is on that declaration that the decision of this House will depend. If Government are prepared to take us into their confidence and make an honest attempt to reduce the expenditure in the Military Budget (I can understand that we cannot reduce the expenditure by 20 crores in one year ; it will have to go on slowly but surely), if we can get such an assurance, namely, an honest attempt to make a reduction in the military expenditure, then this House will have to consider to what extent we should meet the deficit by taxation, and thus place the financial position of the Government of India on sound lines. But, if Government are determined that it is only by extra taxation that people should be governed and not by retrenchment, then I think the House will have to consider whether it should take the further responsibility of taxing the country to the extent of Rs. 30 crores this year without any guarantee that the military expenditure would be reduced.

Lieut.-Col. H. A. J. Gidney (Nominated : Anglo-Indian) : Sir, I am prepared to run the gauntlet of the derision of this House, as did one of the former speakers, by expressing my sympathy with the Honourable the Finance Member in the position in which he finds himself to-day in presenting the Budget to us. At the same time, I must offer him my sincere congratulations for the fearless, honest and frank way in which he has presented a most unpalatable Budget to a House which seemed prepared to be dissatisfied with it. I think, some Members are inclined to take the view that the heavy deficit this year is the result of the sins of omission and commission on the part of Government for a few years only. I do not agree with this. I look upon it as the cumulative effect of many years of financial profligacy on the part of Government. It seems to me that in the good old days of ' good ' and ' plenty,' when we had such paying

departments as the Railways and Opium, which were the plums of Government, their surpluses were readily seized and lavishly used to make good the expenditure incurred on various other less profitable Departments of Government. Those days have gone, and the Government now find themselves confronted with a financial situation of their own creation of an enormously swollen expenditure and very little income. Government surely must have anticipated this deficit that has gradually and yearly increased in size. When I discussed the Budget last year, Sir, I likened this House and the Government to a married couple, the House as the husband, and the Government as the wife. One knows that the income of a husband depends on the output of his wife. If that wife were a spendthrift before marriage, the husband would surely not give her his cheque book to use *carte blanche* and to spend what she liked. The husband would and does expect his wife to consult him in her expenditure. Now what the Government (the wife) is doing to-day is to ask the husband (this Assembly) to give her 140 crores or so of income, but in the spending of this sum she is only willing to consult us to the extent of about 60 crores. Well, Sir, that sort of married life cannot really continue happy for very long.

In fact I saw early evidence of matrimonial trouble during its first year, when last year's Budget was presented to us. However, trust was re-established but as the months rolled on and this House had more opportunities of knowing how Government was spending her income, it seriously considered the advisability of a judicial separation. The Government also saw this development and, to appease our cry for participation in the voting on the Military Budget, His Excellency the Viceroy has, to-day, told us that he is pleased to allow us to *only discuss* the Military part of the Budget; but, I am afraid, this has not improved our married life very much and now comes this awful Budget with its still more awful deficit and, I am fearful, judging from the wails we have just listened to, that the husband (this Assembly) is contemplating suing for an early divorce unless its demands are satisfied. I would regret this and would plead to the House and ask them to be patient for a little longer and not to end this married life so soon, for, what the Right Honourable Edwin Montagu has joined together let no Budget put assunder.

On the facts put before us last year, this House took up on itself the serious responsibility of imposing a very heavy burden of taxation, in one form or another, on the country. We did this in the belief that we were meeting a definite position. We know now that the Finance Member's anticipations have gone sadly astray. I would be the last to blame the Minister himself or that hard-working Department which he leads, but I do feel that there are some *dangerous links* in the system. My fear is that the Honourable the Finance Member may be as far wrong again next year in his forecast as he has been in this. I must confess that I do not understand how the probable revenue of the country is calculated. I do know, however, that the calculations seem to accord very badly with the facts when they materialize, and I would like to feel that the very best advice obtainable had been sought. One is sometimes inclined to suspect that, in this ancient city of Delhi and in that far away town of Simla, mechanical logic replaces the warmer and more human company of facts and experience. I wish that I myself were a businessman, in touch with the throb of the market, so that I should have something of my own against which to test the revenue anticipations of the Finance Member.

In my own mind, I have some serious misgivings. There comes to my mind the fable of the goose and the golden egg. The Finance Member, I know, would be the last to deliberately destroy such a promising specimen, but inadvertently, he might be led to damage its outturn. These heavy import duties, magnified as they are, when it comes to retail prices, cannot but reduce consumption. There has been little, if any, considerable fall in the price of imported goods, and people—those particularly whom I represent—are these days already reduced to living at a minimum. A further increase of prices must mean for many of them an economy in actual necessities. I am grateful that the Finance Member has not touched the income-tax, as it affects the majority of these people, but I should regret bringing them to the straits to which I greatly fear the proposed taxation will bring them, unless I were assured that the general revenues of the country are likely thereby to materially benefit. Higher prices, due to heavy taxation, with a decrease in consumption—amongst of course the poorer people—and with the revenue left just where it is, is not a proposition which appeals to me. My point is that the Finance Member was wrong this year. He may be wrong next year and I do hope that those in this House who are in a position to form an opinion will tell the House whether they think that the Finance Member's figures are likely to be realised.

One point I do make and, if my information is correct, it should appeal to the Honourable Sir Malcolm Hailey. I would ask the Government to make a concession on return fares on Railways. I have heard instances of many an Indian left with nothing for his return journey after a visit to the bazar, and I believe that a concessional return fare would have been sufficient to induce him to lock up this amount of money before his temptations overcome him. I should indeed expect this concession to result in a net profit to Government I allude to third class passengers.

Still I must face the fact of substantial deficit next year and, '*faute de mieux*,' I must accept the Honourable Finance Member's estimate of its amount. I have given much thought to the various alternatives suggested for meeting it. I had thought that, perhaps at the expense of men's lives and while possibly endangering the existence of the Empire, India's finances, during the past few hard years, had been carried on on too theoretical lines. The war was fought as much for the future as for the present generations and I have had notions at times that our ancestors should help to pay for it. I had running in my mind that a national debt these days is no longer a luxury but a necessity. I was told, however, that living on credit and indulging in Budgets with unbridged gaps in them meant swollen prices. I felt inclined to answer that the Honourable the Finance Member's proposals to bridge the gap resulted in much the same state of things, but by a shorter and less pleasant course.

I have come, however, to the conclusion that one cannot indulge in a big loan policy while our income is not within streets of our expenditure. I am not at all impressed by the ordinary banking argument that Government loans take money from the market and thus handicap industry and raise prices. When Government recovering expenditure is reduced to its lowest point and ordinary revenue is not far below it, I would have the courage to launch out into a terrific loan policy and put our Railways into a position of being the profit-making department which it should be.

The expenditure question requires very much more detailed study than these few days allow us, and, besides, we in this House have already expressed our views on that subject and expect results later on from the Government. I see before me an enormous expenditure of 142 crores. I see an income of 32 crores below that. We must, as the Finance Member said, although in other words, either mend our manner of life, or organise our wage earning capacity, or resort to the '*Matrajan*'. After deep consideration, while keeping my eye firmly on the first alternative, I turn away from the last and choose, at present, the second course. I shall generally support the taxation proposals of Government. I do so with misgivings but, assuming their figures are right, I agree with their method of dealing with the deficit. As I have said it is after much consideration I favour taxation rather than meeting the deficit by a loan. Even though I believe in the not too distant rehabilitation of Indian trade and even though taxation will hit me, I go for it because it is sound finance. I believe the Cotton duties, although severely criticised by Members from Bombay, are not unfair in the present circumstances. I think the Salt tax appropriately raised. I am doubtful of the yields expected from the taxes but they have touched the right men. I fully expected an outcry in this House, but I submit that those who believe in sound and practical finance and who have the final good of their country at heart *must* support the Government proposals as outlined by the Honourable the Finance Member.

There are, however, two aspects of this Budget which, above all else, I would like to refer to.

(a) *The Military Expenditure*.—I admit the reduction of the Army in India has reached its *absolute* safety limit. We cannot in the present restless condition of India dare to reduce our Army, even by a *single* man or a single gun. This, of course, means a heavy expenditure and India must bear the burden. I admit that in regard to a necessary Army, the judicious expenditure of money, however big the sum be, is, in the long run, true economy, and that it is a dangerous practice to introduce in it a battle of '*efficiency versus economy*'. Yet I have some misgivings on certain Departments. I refer especially to the Supply and Transport Department. This, I submit, should be controlled and directed by expert business men and not by Army men who, after long years of service, have gained what amateur knowledge they possess, at the expense of the tax-payer and the Indian exchequer. There is no doubt that this Department, as also the Military Works Department, bristles with, and offers many opportunities for, large retrenchments, especially in the purchase of local food stuffs, *e.g.*, Ghee, etc. If the expert Committee of Accountants who are touring India now and have just inquired into the Postal Department were to concentrate their

energies on the Military Works and Supply and Transport Departments, I feel sure that undreamt of economy would be effected and without any decrease in efficiency. I would like to draw the attention of the Army authorities and of the Government of India to another point in this connection; and that is as to whether the 'Services supplies,' rendered by and obtained from England ('effective and Military works') the cost of which is put at 7.75 crores and $\frac{1}{5}$ crore, respectively, cannot be made the concern of India? I submit that, if this country can be made to manufacture many of the military requirements now imported, it would not only save loss by exchange, but find occupation for a very large population. Encourage local enterprise and industries, render the 'country' self-supporting and self-contained which, above all, would let the people feel that the tax-payer's money, spent on Government account, especially in purchasing stores and food-stuffs for the army, is retained in their own country. If not at first, certainly in course of reasonable time, it would result in cheaper out-put and save steamer freights and time. During the great war, new and sudden demands were made on this country and in directions foreign to its experience. I believe that Government will testify unstintingly to the loyal and whole-hearted manner in which the country rose to the occasion. If it did not fail in hasty improvisations in an emergency, may it not be trusted to improve and progress under fostering care and calmer considerations? Let the people realise that a self-contained India is the goal towards which Government is moving; that the bonds of red-tape can be relaxed—that India is not held in leash so that activities may not clash with the vested interests of the English manufactures. I make these remarks mainly with reference to stores. Encourage this. Give practical and live evidence of this and I say that not all the *Mahatmas* will cause the slightest deviation from peace and loyalty.

I moreover have to make a few remarks on the Military Transport Department. I submit, Sir, that there is no need whatever for the retention of this Department. I also submit that greater care and foresight should be displayed in the Railway expenses connected with military camps, *e.g.*, Artillery Camps when Batteries, railed from distant places, are camped in one station for practice. These movements are often effected with little regard to economy.

I now take the Army Medical Services: I submit, this sum can be materially reduced if the authorities would get it out of their heads that they *must* maintain an expensive European Nursing Service for the British troops in India. The fetish that white troops *must* have white nurses is an antiquated idea. I submit that this expenditure is unjustified, especially when we are faced with this appalling deficit and when an equally efficient and cheaper Nursing Service can be easily obtained in India. Then there is the Administrative Medical Staff. Then I come to the Administrative Staff of the Army Medical Department. I see no reason why there should be two Directors or Heads of the Medical Services in India with their large staff, *viz.*, the Director of Medical Services in India and the Director General, Indian Medical Service, when their duties overlap so extensively. This is a luxury, not a necessity. I submit that their duties so frequently overlap that one man with an adequate staff could carry out and efficiently carry out the medical needs of the country and of the Army. This duplication of labour is imposing an unfair and absolutely unnecessary burden on the Indian Exchequer. The Director General, Indian Medical Service, with an adequate staff, is quite enough to discharge the medical needs of the Army in India.

Economy can also be effected by a reduction in the personnel of the Army Headquarter administrative and clerical staffs and the Military Accounts Department where work is duplicated, triplicated and quadruplicated. There is no doubt that one looks with awe at present-day military expenditure and I feel sure, it will be bitterly attacked in this House, but we must remember that, although it is very expensive to maintain, yet it is as equally necessary, both in checking internal lawlessness and in the external defences of India which, themselves, have of late, swelled this very expenditure. A cheap, ill-equipped army is money wasted.

The Military Budget before us, excluding 'non-effective charges' and 'Marine' according to Statement B. appended to the Finance Member's introductory speech of the 1st instant, commits Government roughly to 58.49 crores gross, *viz.*, Rs. 53.81 for effective charges and Rs. 4.68 for military works. The net expenditure is Rs. 49.39, after deducting military receipts estimated at Rs. 4.27 and one-seventh crores respectively.

It is not clear how much of this represents

(b) The cost :

- (1) of the normal garrisoning of our recalcitrant Frontiers (as opposed to Frontier cantonments like Peshawar, etc.), and
- (2) entailed in directions other than (b) (1), *i.e.*, Expeditions, Punitive measures, etc.

In this connection, I would ask this House to remember the discussion which took place at the last Simla Session of the North-West Frontier Policy Resolution which was moved by Sir Sivaswamy Aiyer. In this, amongst other matters, he drew attention to the heavy annual drain the North-West Frontier made on the Imperial Treasury. In opposing that Resolution I pointed out that the North-West Frontier Province, in its integrity as an independent administration, assumes its greatest importance in Indian eyes when viewed in regard to its connection with the problems of Indian defence and Military expenditure and, viewed in this light, it overshadows every other consideration and must, perforce, rule out every other factor. On the same occasion, I remarked that the matter had an 'All-India' bearing, and that the Frontiers constitute the only spot geographical conformation has rendered vulnerable to attack or invasions from the North. With your permission, Sir, I shall quote from my speech on that Resolution. I said :

'The North-West Frontier, from the Pamirs to the Sea, is the most important land Frontier of the British Commonwealth and, for this reason, its defence and maintenance was not a matter solely of Indian importance. India, I submit, holds that Frontier not only for her own protection but to guarantee the integrities of Imperial soil.'

I said that the day was not far distant when it may be widely recognised that India alone should not be called upon to bear the whole cost of defending this Frontier. That day, I believe, has come, especially when we realise how great is the cost of maintaining and guarding this Frontier. I again submit to-day, but with greater reason, that Indian finances cannot possibly bear this burden unaided and that the solution of the problem—the saving to the Indian Treasury of this tremendous additional drain will be facilitated if it were possible to create and maintain from the Pamirs to the Persian Gulf a cordon of territory under Imperial control and maintenance. This will not only enable us, with a measurable degree of safety, to reduce the strength of the British Army in India but would also lessen our enormous and staggering military expenditure. India, no one will deny, is an asset of our Imperial Empire and if the cost of safeguarding it against attacks by sea is almost entirely borne by the English Exchequer, the mere fact of land forces, replacing naval intervention, not for purposes of internal safety but to ward off ingressions, *i.e.*, to retain this asset of the British Empire should not justify dissimilar treatment and, if the pushing of our frontiers further into the 'No man's land,' and even its maintenance has been in pursuance of a policy initiated by the Home Government or is accepted by the Home Government, in either case solely for maintaining the integrity of this Imperial asset—it rather strengthens the claims of India to be freed from the whole or an appreciable part of this burden. In it I see the greatest means of retrenchment in the Military Budget and I offer it for the very serious consideration of His Excellency the Commander-in-Chief, the Government of India as also the Home Government.

My last point is with reference to a most important matter, I should say one of the most important matters, which has helped to not only swell our last year's and this year's Military Budgets but has all but paralysed our Railways and crippled our commerce. I refer to the non-co-operation movement and the political strikes that are of daily occurrence in India. The Finance Member has unfortunately very lightly referred to this aspect of Indian finances in his speech. I wish he had placed greater importance and stress on this. There is no use our being blind to the fact that to Mr Gandhi and his Lieutenants India owes, to a greater extent than anything else, her present crippled and dislocated commercial position.

I can almost hear some Honourable Members reply. No—this is largely due to the non-fulfilment of the promised two shilling exchange. Let me even admit this as true, but surely this only touches the very fringe of the matter. Need I remind the House what drains the Imperial Treasury has had to bear on the Moplah revolt, to mention but one of our national tragedies? Then, look at what the present political strikes on the East Indian and other Railways are to-day costing India, with its coal bearing fields closed to her rapidly developing enterprises and here I take this public opportunity of mentioning with great pride, with pardonable but justifiable pride the splendid manner in which my community has, to a man and child, come to the rescue of the Railways and India. I say, it is time that this political agitation was stopped,

for so long as it is tolerated by Government, so long will the commercial enterprises and Departments in the Government be worked at a dead loss, as we see in the Budget before us. Mr. Gandhi may talk till he is blue in the face of his soul force. If he utilised his great talents in giving money force and man force, he would be doing as much good for India as his soul force and non-co-operation to-day are ruining her. I submit with emphasis that the ruinous effect on our finances by the non-co-operation movement and political agitation is of very serious and grave concern to the tax-payer—to the millions whose interests we voice in this Honourable House. I ask the Honourable the Finance Member, how much of the deplorable deficits in the Budgets during the past four years, aggregating 90 crores, are ascribable *directly or indirectly* to these political activities. If we are to put our own house in order by retrenchment or extra taxation, to rehabilitate our resources, it is imperative that the contributory causes of our moribund condition should be analysed. It may reasonably be assumed that misrepresentation has had a start and that every pie of new or additional taxation is put forward as one more living proof of the despotic hell of Government. It is, therefore, in fairness to Government, in fairness to the misguided and in fairness to truth that the Finance Member should lay these convincing statistics on the table and promulgate them broadcast.

Rai Bahadur Bishambhar Nath (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I sympathise with the Honourable Sir Malcolm Hailey in the difficult situation in which he finds himself on account of the heavy deficits which again rudely stare us in the face. In fact, I admire the candidness with which the Honourable the Finance Member has, in his speech introducing the Budget for the year 1922-23, disclosed the position of the Government verging on bankruptcy, and I appreciate his desperate struggles in maintaining it solvent. Last year, when we were called upon to meet the deficit of 19 crores, we thought we had seen the end of gloomy scenes. Having done our part, we imagined the Government do its own, curtail its expenditure substantially and adapt its financial policy to the real needs of the country. We had fondly hoped that better conditions would await us in the future. But, Sir, I confess we were sadly mistaken in our surmise. As the Honourable the Finance Member has so vividly shown, the deficits are not due to transient causes, and there is therefore very little prospect of an equilibrium between revenue and expenditure being attained within a measurable period. No doubt, falling exchange, continued depression in world trade, and other causes pointed out by the Honourable the Finance Member, are some of the important factors in bringing about the present financial crisis, but have not these causes been in operation all over the world? How is it then that of all places, our country should get affected most adversely and feel the pinch most acutely? The fact is that there are other contributory causes, both immediate and remote, which are equally responsible for our adversity. I admit, the Honourable the Finance Member can by himself no more control the latter than he can regulate the former, but I am afraid the Government, of which Sir Malcolm Hailey is a distinguished Member, cannot be wholly exonerated for bringing about the financial disaster. Dabbling with exchange, as they did last year, and refusal to cut down the army according to the needs of the country, are some of the instances which illustrate my point. Sir, the real root of the trouble is the autocratic system which characterises the Government, and its persistent, nay callous, disregard of public criticism. Indian publicists have cried themselves hoarse, and for years together, for the reduction of the enormous military expenditure, but they have cried in vain. Far from reducing it, the Government has steadily increased it, so much so that, from 16.96 crores in 1884-85, it has now gone up to more than 62 crores. Why, in spite of the strong criticism of almost all the non-official Members of the Assembly last year, the figure for the next year continues the same. Not satisfied with the absorption of more than half the revenue of the State, the Military Department cries for more. No wonder if it leads one to exclaim that India exists for the Army, and not the Army for India. If the Government had followed the advice of our public men, the national militia would have come into existence long ago, and the Military expenditure had not been allowed to grow to these enormous dimensions. Our promising youths had got the necessary training in the Military Colleges established in the country, but the Government would move very slowly in the matter if it would move at all, and would not convince the people by its action that it has changed its policy of distrust for that of confidence.

What is true of military service is equally true of others. The process of Indianization of the higher services in the Civil, Railway, and other Departments is extremely tardy. Salaries are not being fixed according to the standard suited to the means of the country, and thus serious attempts are

not being made to make the administration of the various Departments less expensive. The Government would not let us touch the items in the Budget which absorb the larger portion of the revenues. Of course, it would spend the money in any way it likes, but would subject us to the odium of finding money for it. When we want responsibility and power, it is said our constituencies are narrow, and the number of our voters very limited. When our approval for the money Bills is solicited, the whole world is supposed to watch how the 'youngest of the Parliaments' realises its responsibilities. How long will this system continue, and where will it ultimately lead us, passes my comprehension. The conditions are so hopeless that within the last 4 years, as the Honourable Finance Member admits, we are involved in a deficit of 90 crores. Not much useful purpose, therefore, can be served by the suggestions relating to the minor items of the Budget, nor can the evil be remedied in my opinion even by the pruning knife of the Honourable the Finance Member alone. The situation demands thorough overhauling of the whole system, and the sooner it is done, the better for the country and the Government.

A word about the additional taxation, and I have done. I am not sure whether the new encumbrance will not form the proverbial 'last straw on the camel's back'. The people are already groaning under the taxes with which they were saddled only last year. Now it is proposed to pile on them fresh burden, regardless of their capacity to bear it. On account of the dearness of commodities, life to the poorer classes has already become very hard. Fresh taxation on the necessities may make life simply unbearable for them. If the Government is bent on taxing, for God's sake let it leave aside salt, excise, machinery, petroleum, matches and postcards. Some will retard the growth of indigenous industries, and others will hit the poor very badly.

I would not like to take the time of the Honourable Members any further. I have only to remark that the present situation appears to me quite alarming. On one side, I find the Government bankrupt, self-complacent, labouring under false conceptions of prestige, impervious to public criticism, and unyielding to popular will, even in matters affecting the vital interests of the nation. On the other, I see the people suffering and discontented, steeped in poverty and ignorance, but newly awakened to their state of helplessness and misery. They are fast recovering their self-consciousness. Further proposals of heavy taxation, if adopted, combined with the repressive policy of the Government already in force, may, I am afraid, drive the people to desperation. At least the symptoms do not augur well. Will the Government take the warning? It is not yet too late for it to mend its ways. I hope it will realise the real state of affairs, and meet the crisis in a sympathetic, broad and statesmanlike manner.

Bhai Man Singh (East Punjab : Sikh) : Sir, it is a matter for regret that I have to say to-day that the financial policy of the Government of India has been a failure. It has been a history of increased expenditure, deficits, increase of taxes and loans. They say, the last straw breaks the camel's back, and this year we have reached the limit which the country can not bear. Most of us have laid the blame on Sir Malcolm Hailey, but, Sir, with due deference to the previous speakers, I sympathise with him rather than blame him. It is not so much the fault of our Honourable Finance Member as the fault of the policy which we have been following up till now in managing Indian finances. Our whole administration is so very expensive that it cannot compare with any other country in the world. If we compare, for instance, the pay drawn by our highest official in India, we find that it tops the list. A Member of the Governor General's Council here draws Rs. 80,000 while the salary drawn by the Governor of the State which pays the highest salary in the United States is about 10,000 dollars a year. If we take the dollar to be equal to 4 shillings or say Rs. 2, it comes to about Rs. 20,000 a year; while even the Governor General of Canada draws only 50 thousand dollars, equivalent to 1 lakh of rupees. The Secretaries in the United States of America draw much less than that and receive only 12,000 dollars equal to Rs. 24,000 a year. Similarly, Sir, in England, the British Prime Minister himself draws £5,000 a year, which would be equivalent to Rs. 50,000 a year according to the rate of exchange which is adopted in the Budget before us. Similarly, we see that the Civil Services in India are most highly-paid as compared with any other country, while the revenues of all these countries are much higher than those of India. Nobody on earth can say that India is so very rich a country as compared with these countries and that Indian administrators should be paid so high. It is always argued, Sir, that without giving high salaries, without spending more money, we cannot have efficiency. But, Sir, there is always a limit to efficiency as to everything else. In my school-days

I used to hear a well-known proverb 'Cut your coat according to your cloth.' Poor India with her backward industries cannot pay so much money; why should we require such highly-paid men? For God's sake, we would be satisfied with less-paid people, but we cannot bear all these burdens. Again, Sir, it is this very policy which has been the ruin of our finances up till to-day; and we have never stopped for a minute to look back and see whither we are drifting, we have never thought, not only of decreasing our expenditure, but we have never seriously thought of extending our industrial resources. We do not increase the wealth of the country but we go on increasing the expenditure. How on earth can we expect to have safe finance? Every wise financier, every wise business man would always think that his debts should have some limit and that his expenditure should be commensurate with his power of raising money; but this is not the case with us. It is not those who may be sitting on the tops of Olympus or those who are born with a silver spoon in their mouths, but those who are working and have worked their way in the world, those who really know the state of affairs, who know the daily life of an Indian, it is they who know fully well that it is a real problem for a vast majority of Indians 'how to make both ends meet'. Now, Sir, if you are going to burden this poverty-stricken people with such heavy taxation every year, how can you expect them to live? It would mean nothing but sheer misery to them. I can very well understand the strong voice raised in this House against this expenditure. Sir, there is another difficulty of ours. One could say: 'All right; the expenditure is there; but we should make a start for decreasing it; there should be a turning point wherefrom you can say, well, it does not matter about the past, it does not matter about the present even, but let us see to the future.' But, Sir, have we made a real start? Have we really thought of doing some substantial reform in our financial policy? Take the military expenditure. I do know and, of course, nobody can deny that every country requires an efficient army for its defence. But can any military expert say that, under the present circumstances, any country can depend altogether on its standing army? The only way of decreasing our military expenditure would be by creating a strong local militia. If during the great war we could get so many recruits who knew absolutely nothing of military operations but after getting three months' training or so, were sent to the battle-fields and proved to be efficient soldiers, why, Sir, can we not depend on a local militia? Why should not the Government make an immediate and appreciable beginning towards the creation of a local militia and decrease the standing army? If the Punjab alone could supply about one-half of the recruits during the last war, why should we not expect that a similar response would be made to our demand for a local militia if we mean to train and prepare our young men for the military services. That is the real thing, and, if this suggestion of mine is acted upon, then we can make a decrease in the standing army, but I do not find any real or active step being taken in this direction.

On a previous occasion, Sir, the Honourable Sir Malcolm Hailey said that India is not altogether self-dependent for her defence, and that she has to depend for her defence on the army and navy of England. I submit that, make us self-dependent; for that I think every Member of this House, nay every Indian would be perfectly willing to bear any burden if he could be satisfied that you are making the Indians self-dependent for the defence of India. Whenever there is a demand for making us self-dependent or of Indianising the services, you say, that we are not fit. But whose fault is it? We are not given sufficient training, we are not given sufficient chances to make ourselves fit. This reminds me of the old story in Shakespeare's 'As you like it'. Poor Orlando's brother would give him no training and would still call him worse than an ass. Well, Sir, I wish to know definitely what is the programme before the Government? Where is the definite programme which lays down that within 5 or 8 or 10 years we will be made fit to defend our own country. If there is any definite programme, all right, this military expenditure could be justified under such circumstances to some extent, at least there could be a compromise. But we do not find any satisfactory programme of this nature. We prayed last year for a decrease in military expenditure. That has not been attended to. I do not find any appreciable decrease in the standing army when I compare the figures with those for the last year, nor do I find any attempt made towards Indianising the army. Until and unless we try to Indianise the army, nay Indianise all the services, and try to create a local militia, we cannot possibly expect to decrease our military expenditure, and the real defect lies in the policy itself. Our angle of vision is quite different from the angle of vision of those occupying the Government Benches. They should look at the whole thing from our point of view; they should know that we are poor; they should know that we are to be made self-dependent for our defence and for our trade, and therefore they should tell us that in so many years they would give us our own army. Then of course, we could have some satisfaction.

We may compromise and finish here, there, or anywhere. If we look at the causes that have brought about this system of high salaries of services, I think there were two reasons for that ; of course, here I speak subject to correction. One was that at a certain time—I am speaking of old, old times, when perhaps no care was taken of the interests of Indians and the Services were all in all some of the servants of the Company Bahadur thought that India was a fit place for exploitation. They fixed this high standard of pay. Secondly, there is a difference between the standard of living of an average European in India and of an average Indian here. Our plain demand now is to fix the standard of pay according to the average standard of living of Indians in all branches of the Services. If we want Europeans to come and work amongst us, let them come and work on that standard. They might be given a little allowance in the form of overseas allowance or something of that sort. But if we recruit in our civil, military, medical or any other services on our present standard of pay, surely it will be impossible to reduce any expenditure even now or in the future. From the beginning up to now there have been very few years in which there has not been a deficit. You will find instance after instance where we had to raise taxation, where we had to show deficits and where we had to borrow. Even our borrowing power seems to have reached the extreme limit. We have to pay a higher interest than even some of the banks. That shows that our borrowing power is at stake. Why should not the Government, if it were only for sheer financial reasons though for nothing else, try to stand and look back and refuse to proceed in the direction in which they have hitherto been proceeding and begin the Indianisation of the services in right earnest and why should it refuse to make a substantial move in the reduction of all expenses ?

I have only a few words to say about the new taxation. I know that the time will come when we will discuss the details of it. But there is an item which is perhaps not subject to our vote. It is the proposed increase of railway fares for passenger traffic. That, I understand, can be done by the Executive Government under the provisions of the Railway Act. Well, Sir, Railway fares have been increased a good many times during past years. I need not bore the House by recounting the different stages. But if there is to be any increase at all in the fares, I would say that the whole burden should fall on the rich people and not on the poor. If any increase is to be made, let it be made in the first and second class fares, and let not the poor people, who already cannot easily afford to travel, be burdened at all, or if it can not be helped in any case, let them be burdened as lightly as possible. In saying this I am voicing the sentiments of a very large majority of my Honourable colleagues in this Honourable House.

In the end, Sir, I have to submit that the Government is responsible for a large portion of the Budget. We can only vote on a fraction of it. I have not calculated the figures. I think we can vote only on 20 crores or so. Therefore, Sir, it would be very unfair to expect that we should be a party to the proposed heavy taxation to meet demands for which we are not responsible. We would be perfectly honest, we would be perfectly doing our duty when we say that the Government has decided upon incurring all this expenditure, the Government has not listened to our request, it has not satisfied us that they have made a real and earnest attempt to decrease the expenditure or to take a definite step under which we can expect a definite decrease even within the coming years, the Government should also take the responsibility of this new taxation and we wash our hands of this matter. If you say that, it would be perfectly logical, it would be perfectly moral and it would be perfectly constitutional. The present state of our finances just reminds me of a saying of a great saint of India. He used that for spiritual purposes, but, if it be not supposed to be sacrilegious on my part to apply it to our business affairs here, I would say :

*‘ Mohe aise banaj sion nahin kaj,
Jit ghatak mool nit badhak bij. ’*

‘ I have nothing to do with such a business, wherein my capital is going down and down, is being wasted every day and the interest against me is increasing daily. ’ This is the present state of our finances, and, unless we really take the situation seriously, even if we manage to get through the difficulties for a year or two, the crash is bound to come and in the interests of the Government of India itself, in the interests of the trade of the country and in the interests of the Indian public, a real change of policy should be immediately adopted,

Mr. J. F. Bryant (Madras : Nominated Official) : I do not attempt to deal with the Army Budget for a moment, but only wish to attack a few gratuitous statements which have been made in respect of it. It has been assumed, and assumed wrongly, that the Army is the source of all our misfortunes. I will not go so far as to say that the Army is an end in itself, far be it from me to put forward such a proposition. But I will go so far as this, that if there was not an Army, there would be no golden eggs. The cost of the Army is the insurance which you pay against burglary, and, without the Army, India will assuredly be the poorest country in the world. As it is, India has now become one of the richer countries of the world, and that, I think, gentlemen, is a position which is not generally understood.

The last speaker, or rather the last speaker but one made a remark that this was one of the most heavily taxed countries in the world. It was an extraordinary statement. It cannot for a moment be left unchallenged. Let me take my own country. We pay there in taxation, not 140 crores, we pay (with the rupee converted at the rate of 2 shillings) over 1,000 crores, and that with a population of only one-sixth of that of this country. (Cries of 'What is the income?') Converted into rupees at the present rate of exchange it would be over 1,500 crores, and — I would emphasise it,—paid by a population only one-sixth of that of this country.

Now, I come to the Honourable the Finance Member. He has been subject to attack after attack throughout the day. It has been imputed to him that he has laid an additional taxation of 18 crores upon this heavily-taxed country. What are the figures? If you examine them in detail, you will find that he is almost a public benefactor. If anything, he has benefited this country to the tune of some 2 crores. He set out hoping to be 18 crores up: he ended by being 20½ crores down. That, I think, is a fact which the House has overlooked. He has, it is true, attempted to impose an additional burden of 18 crores upon this country. But mere attempt without any positive result—with a minus result—is hardly an offence. I think that, on the evidence, he may be given the benefit of the doubt.

I should like to turn to a group of speakers who attacked the salt tax, the increase in railway fares and the increase in income-tax. (*A Voice* : 'Would you mind speaking up, Sir?') They have been actuated by the entirely wrong assumption that those items were heavily taxed. I maintain, Sir, that nothing is farther from the truth. Take for instance, salt. Salt used to be taxed Rs 2-8-0 and not 1-4-0 and that was at a time when the people who consumed the salt only got half the income they are getting at the present moment. (*A Voice* : 'What about increase in prices?') Let us go into the question more in detail. I think it was Mr. Darcy Lindsay who assured us that the persons who consume the salt, or at any rate a fraction of them, are now, in spite of increased prices and in spite of increased taxation, living in relative comfort by working three days a week whereas they formerly worked six days a week. I think that was his statement. If such be the case, it will be a positive benefit to this country to impose on them such taxation as would make them work at any rate 3½ days instead of 3 days. We would then not be faced with that heavy deficit in railways to which the Honourable the Finance Member has drawn attention, which is partly the outcome of short hours at the coal-fields.

In regard to railway fares, it has been assumed throughout the House that we have come to the limit of taxation. I have not the figures with me, but you may take it that the railway fares are a mere fraction of what they are in my own country. It is a quarter, I think. I speak subject to correction. At any rate, it is about a quarter.

I come to income-tax. It has been assumed that this country cannot pay any additional income-tax. What is the income-tax of this country? Of course, it varies, as it is on a sliding scale, but, roughly speaking, it is about one anna in the rupee, at any rate for the middle classes. In England, it is six shillings in the pound. (*Sir Montagu Webb* : 'That is the lowest rate, I think'.) It is, roughly speaking, 5 annas in the rupee, and land also pays income-tax as well as land-tax. Now, I come to another group of speakers. They made an attack upon countervailing duties. With one exception, they are all rich men. They are mill-owners or are interested in the cotton industry in Bombay. It was not the import duties they attacked. Oh, no. They were perfectly satisfied with them. They were perfectly content to let the import duties alone. They rather welcomed the increase in the import duties because they form a protective wall round the country. That wall means an increased price for their own wares. It means that they would draw increased dividends and that is why they asked the Honourable the Finance Member to withdraw his wicked proposal of annexing that extra profit which would otherwise go into their own pockets. It was most iniquitous, I admit,

but still, on the whole, I think I would prefer the Honourable the Finance Member to reap the benefit of his exertions rather than to let that benefit pass into the pockets of mill-owners

Then Mr. Seshagiri Ayyar said something. He made an astonishing statement. He said: 'did the Finance Member realize that by the small additional tax on yarn, some six million people would be thrown out of employment in this country?' I have a great regard for Mr. Seshagiri Ayyar; I have known him for a great many years; I come from his province, and am actuated by the highest sentiments of respect for him, but I think that his is a most alarmist statement. I assume that, in spite of the tax, the requirements of yarn in this country will be exactly the same as before; people will use as much cloth as before, and the outturn of these six million people will be the same. The tax on machinery will assist them since it will deter to some slight extent the rich mill-owners from setting up new mills to compete with them. That is the long and the short of it.

Then, his constructive proposal was almost as unsound as his other arguments; it was almost the only constructive proposal that I heard to-day with the exception of those of Mr. Darcy Lindsay. The long and the short of that constructive proposal was this: He proposed to lead a foray into the provinces, to upset their financial arrangements, to repeal the Permanent Settlement, and when he had done all this, when he had thoroughly upset the provinces, when he had thoroughly upset the Zamindars, he would bring back not a single shilling. That, I think, was the extent of his constructive proposal.

Gentlemen, it is not my intention to defend this Budget. Far be it from me to do so, but I think I have pointed out a few of the considerations which have led me to suppose that some of the attacks upon the Honourable the Finance Member are a little wide of the mark.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 7th March, 1922.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED
UNDER THE PROVISIONS OF THE GOVERNMENT OF
INDIA ACT.**

Tuesday, 7th March, 1922.

The Assembly met in the Assembly Chamber at Eleven of the Clock.
Mr. President was in the Chair.

GENERAL DISCUSSION ON THE BUDGET—*contd.*

FIRST STAGE—*contd.*

Mr. N. M. Samarth (Bombay : Nominated Non-Official) : Sir, this year's Budget has been described in yesterday's debate by some as distressing, deplorable, as an Insolvency Budget and so on. I, Sir, am a robust optimist. I see a silver lining to every cloud and I look upon this Budget as a hopeful sign of the times, an indication of coming events, a shadow, if you would prefer to call it, of coming events. and I mean by coming events the days soon to dawn when this House will have complete power of the purse. It is not for the first time that we have been having a long series of deficits. As the House will remember, when the East India Company was made to deliver its possessions to the direct control of the Crown, one of the charges made against the management of the Company was that the finances were so hopelessly bad that it must be a bad Government and must be replaced by the direct control of the Crown. I will remind the House of a speech made by John Bright, the great Tribune of the people and one of the stoutest champions of Indian aspirations in the House of Commons in those days. About the time the Proclamation of 1858 was issued, he made the following observations. Speaking of the East India Company and the management of its finances, he said :

'If there were another charge to be made against the past Government of India, it would be with regard to the state of its finances. Where was there a bad Government whose finances were in good order? Where was there a really good Government whose finances were in bad order? Is there a better test in the long run of the condition of the people and the merits of a Government than the state of the finances? And yet, not in our own time, but going back through all the pages of Mill or of any other History of India, we find the normal condition of the finances of India has been that of deficit and bankruptcy. I maintain that, if that be so, the Government is a bad Government. It has cost more to govern India than the Government has been able to extract from the population of India.'

Well, Sir, history is going to repeat itself. In the past, it led, as I have said, to the direct assumption of the possessions of the East India Company by the Crown. I hope that the series of deficits that we are having now will lead to the direct possession of the power of the purse by this Assembly, much sooner than is perhaps fancied by the Assembly. From that point of view, I look upon this Budget as a hopeful sign of the times.

Sir, what is at the bottom of these bad finances? As every one has said it is military expenditure, the octopus of the Military Department, that is swallowing up our revenues. It cannot last long. We have no power to subtract even a rupee from the Military Budget. Of course, we have been permitted to discuss it; but what is the good of discussing a Budget which we cannot reduce even by a pie? Therefore, the situation is that this House is asked to vote a Budget and to vote taxation upon a basis which excludes from its purview more than half the revenue and expenditure of the Government of India.

Sir, I have been a severe critic in my day of the military policy of the Government of India. I say that crores and crores of rupees are being poured into the military adventure called Waziristan. I know that since 1919 it has been decided to occupy Waziristan and make it into an administrative unit like Baluchistan. The Sandiman policy may have succeeded in Baluchistan on account of the great personality of the man and on account of the peculiar conditions in Baluchistan. But last year, as you know, from November 1920 to March 1921, ten crores of rupees were spent in Central Waziristan. (*The Honourable Sir Malcolm Hailey* : 'Six crores'.) From November 1920 to March 1921, ten crores were spent there. Eight crores besides were added to our expenses on account of the increased pay of the British soldiers which the War Office sanctioned—a sanction over which we had no control and in which we and the Government of India have no voice. That made up 18

crores, which was nearly the amount of the deficit for which we budgeted last year. The whole of it was due to the British Army in India and to this military policy in Waziristan. Whatever may be said about the Waziristan adventure from the military point of view, from the financial point of view, I oppose it ; and I take it that I express the sense of the House and of enlightened public opinion, English and Indian, outside this House, when I say that that policy must be abandoned. And what is that policy ? Waziristan is a mountainous barren tract of country. Its people are generally unable to maintain themselves ; they are war-like and have never owned the suzerainty either of the Amir of Afghanistan or of the British ; independent and democratic in their ways and habits of life, they decline to be brought under subjection by any party. The Amir, I think, did a wise thing from his point of view in allowing the British to manage them. The British have pursued the policy of occupation since 1919, and, if I am not mistaken, the idea is that there is a large amount of mineral wealth in Waziristan, oils and other minerals, which have yet to be explored and which will ultimately make the country self-supporting. I consider that a Utopian idea, a dream, a vision, a delusion, a snare, a mirage (Laughter), in the pursuit of which I am not prepared to allow crores and crores of the Central revenues to be sunk.

Another aspect of this military policy is this. I want the Government of India, the Governor General in Council, to be master in its own house. I ask, is the Governor General in Council in regard to the military policy in India master in its own house ? I say no, and if I am wrong, let me be corrected. If the Governor General in India is not master in his own house, if our military policy is to be dictated by the Chief of the Imperial General Staff at the War Office in London and by His Excellency the Commander-in-Chief in correspondence with the War Office—it may be, over the head of the Viceroy—then I say, it is a vicious system, mischievous in practice and wrong in conception, and it must be done away with as soon as possible. If the Governor General in Council is responsible in fact and in theory for the whole army organisation and military policy in India, then this House can bring the Governor General in Council to book. But if he is not, it is idle for us to speculate as to what the policy will be ; it is idle for us to complain in regard to the policy pursued, and we are absolutely helpless, as helpless as the Governor General in Council probably is in these matters. Take, for instance, the War Office transactions. I have not been able to unravel the mysteries of the War Office transactions in the Military Budget. The House will remember that on the Esher Committee Report I made a point that, if Indian troops are to be sent overseas, every pie spent on them must come from the British Treasury. I was assured by the Honourable the Finance Member that that would be so. I want to know how much the Indian Government has received from the War Office up to now for the overseas troops which have been during the war and since the war engaged outside India. What has been the rate of exchange which has been given to us by the War Office ? What has been the loss in those operations and who is going to suffer by it ? Not the Government of India, but the general tax-payer in India ; and is it right that that should be so ? If that is not right, then surely the Honourable the Finance Member will enlighten us as to what he is doing in order that we may get every pie of what we are entitled to. Then, again, expenditure is, as I said on a previous occasion, a matter of policy. What is the policy which the Military authorities have in regard to the Military organization in India ? I was one of those who gave evidence before His Excellency the Commander-in-Chief's Committee of Military Requirements. Well, I have been waiting since then to know what the recommendations of that Military Requirements Committee are. They have gone Home. They went Home to the Sub-Committee of the Committee of Imperial Defence. Mr. Sastri (now the Right Honourable) was appointed by the Secretary of State to be on that Committee. Has he been able to attend any single meeting of that Committee ? Who represented the Indian Legislature there on that Committee ? Who represented the Government of India on that Committee ? Were any representations made to that Committee on behalf of, and with the authority of, the Governor General in Council by General Sir Claud Jacob or were those representations made by him over the head of the Viceroy and the Governor General ? Well, Sir, let us know what the policy of the Military authorities is. I understood again when I was in Simla (I hope to be corrected if I am wrong) that a Committee was sitting for some months to devise a scheme for the Indianisation of the Army. What has happened to that ? Are you going to Indianise the Army or are you not, or are you going to make us wait till the Greek Kalends for that contingency ? As everybody knows, surely His Excellency the Commander-in-Chief must know, when the British Army was first formed, it was officered by what are called 'Black Commandants' in Kaye's 'History of the Sepoy War,' that is, British troops commanded by

Indian officers. That policy was subsequently given up and to-day we are told that no such officers can be appointed unless they have gone through a long series of training, which may be 10 years, 15 years or 20 years. I will give the reference to His Excellency the Commander-in-Chief. Let him see Kaye's 'History of the Sepoy War' and see what the organisation of the British Army in India was when the British Army was first formed and by the aid of which the British conquered India. Well, Sir, let us have a policy. Let us know that you are going to Indianise the Army within a certain reasonable length of time. Then, there will be some hope in the country. The people will know that the machine is moving in the direction of making this country a self-governing unit of the British Commonwealth, so that it may defend its own borders. That does mean, with its own officers. If that is not going to be so, then I am afraid the day will be hastened when this House, instead of being merely restive, will be resentful of the disabilities under which it suffers.

Sir, the Honourable the Finance Member said again that, so far as Civil expenditure went, there was not much scope for retrenchment. I wonder what was the good of our debating that Resolution here only the other day about appointing a Committee of officials and non-officials to bring about retrenchment, if that is the state of things. I decline to believe, Sir, that no effective retrenchment or substantial retrenchment is possible even on the Civil side. I fail to see why establishments are still entertained as they were in the pre-Reforms days in regard to subjects which have been provincialised, which are transferred subjects now in the different provinces. 'Education' is a transferred subject, 'Agriculture' is a transferred subject. 'Industries,' I was here reminded by the Honourable Mr. Chatterjee, the Secretary, the other day, is a transferred subject, and yet the old establishment is there, as though nothing had happened, and as though no reform had taken place and no provincialisation of these subjects had taken place. Well, Sir, there is a great deal of scope for retrenchment there at any rate. There is a great deal of scope, if the Honourable the Finance Member so chooses, in retrenching the higher staff. There are Secretaries, Joint Secretaries, Deputy Secretaries, Under Secretaries and so on. The Government of India Act of 1915 laid down certain appointments as reserved only for the Indian Civil Service. The Government of India Act of 1919 removed from that list many of the appointments and yet perhaps you find the same number of officers there engaged perhaps under different nominations. Well, there is a Joint Secretary, Additional Joint Secretary, Deputy Secretary, Additional Deputy Secretary, and so on and so forth. Has there been any earnest effort made to bring about a substantial reduction in that respect in accordance with the spirit and the letter of the Government of India Act of 1919?

There is another point, Sir, so far as the Civil administration is concerned. There was a Resolution moved by my friend, Mr. Jamnadas Dwarkadas, the other day about Indianisation of the Services. Well, what is the Government of India going to do in respect of that? Surely, one way of bringing about economy and retrenchment is to Indianise the Services. I mean by Indianisation of the Services the stoppage of recruitment in England for all these services, throwing open the door for recruitment to Indians and domiciled Indians and all those who have settled in this country in order that the Services may be Indianised. That will lead to economy and a great deal of retrenchment. It is no use, when the Resolutions are moved, telling us that the Government sympathise with those Resolutions and then afterwards on account of over-work, probably sleeping over those Resolutions. Effect has to be given to them, and, if the Government of India is in earnest about it, let them take us into their confidence, let them take this House into their confidence, and tell them what steps from day to day, from time to time, they are taking in these directions. Unless these things take place, there is hardly any hope of the finances improving.

Sir, I do not now wish to go into the reasons which have compelled the Honourable the Finance Member to bring about this Budget. It will be remembered that last time, when the Budget was under discussion, when the Finance Bill was under discussion I was one of those who requested this House and the Honourable the Finance Member to raise the import duty from 11 to 12½ per cent. and I protested against 1s. 8d. being taken as an average of exchange. (Hear, hear.) Of course, the House at that time was not inclined to listen to what I considered a reasonable demand. (Mr. Jamnadas Dwarkadas : 'Except the Bombay Members'.) Yes, except the Bombay Members to whom it was as clear as daylight what was going to happen. But, if our suggestions had been accepted at the time, then much of the difficulty, at least a great portion of the difficulty under which the Finance Member laboured in framing this Budget this year would have been removed. Well, it is no use crying over spilt milk, but here is the

Budget with a heavy deficit of 31 crores for next year, with an indefinite liability for Waziristan.

If I am not mistaken, the policy of the military authorities is to spend about 5 crores per annum in Waziristan for another five, six or ten years before they think they can occupy it completely and make it an administrative unit. This House is not going to submit to that sort of drain on our resources. As I have already said, the Honourable the Finance Member could have if he so choose, put his foot down, as one of his predecessors did, upon this adventure. Sir Auckland Colvin, one of his predecessors, as Finance Member, predicted that an increase in the British Army and Indian Army over the maximum that was laid down by the Simla Army Commission of 1879 was bound to lead to adventures on and beyond the frontier, on the part of the military authorities, and he protested against it on two grounds: first, that it was not needed in Indian interests; and secondly, if it was needed at all, it was Imperial interests that were concerned, and consequently Indian revenues should not be taxed. I pointed that out on a former occasion.

I again come to that point, Sir; I say, if, from the military point of view, you think that this policy which you are pursuing is necessary, then right along from the North-West Frontier down to the frontier down below all the expenses which are needed for that, the whole of that military expenditure should be shared between the War Office and this country. It is not purely in Indian interests. It is in order to prevent foreign aggression on India. If foreign aggression is to be prevented on India, it is as much the interest of the United Kingdom to see that India is saved to the United Kingdom as it is the interest of India to see that it prevents foreign aggression. His Excellency the Commander-in-Chief says 'No'. He nods. I must say, if that is not going to be so, India is not going to submit to this extra taxation. Where would England be without India, and I ask also where would India be without England? Our interests the interests of both, are interlinked, interlaced, and, in a matter of this kind it is not purely India's interests that are concerned; it is the Imperial interests that are also concerned and both must share in this extra expenditure and not India alone should be made to bear the whole of it.

Well, Sir, what are we going to do then to bring about pressure to bear on the Government of India in regard to this curtailment of military expenditure? The House will remember, early in the Session I brought forward a Resolution that the Local Governments may be given a voice in the military expenditure of the Government of India. The House was then new, and many of the Members were carried away by the persuasive eloquence of the Honourable the Finance Member when he put it to them: 'Look here, you have got powers under the Government of India Act to control your military expenditure, and you are being asked to give away those powers and relegate them to the Local Governments of the different provinces.' A great many of the Members were, I am sorry to say, deluded by that, and I put it to them that it was not open to us even to discuss, without permission of the Governor General, the Military Budget, and it was certainly not permissible to us to vote on it; and the Honourable the Finance Member said: 'you have got powers in your own right to bring reductions in the military expenditure.' This is what the Honourable the Finance Member said on that occasion:

'The Assembly, according to the Honourable Mr. Samarth, cannot even discuss military expenditure. I think we had to-day a proof that they can at all events enter on such discussion, and I think we shall find during the Budget debate that their powers of effectively discussing and criticising military expenditure are by no means limited or insignificant. In fact, I myself have no doubt that the Assembly will find that in a short time, as a result of its direct powers of control over civil grants and of its indirect powers of criticism through Resolutions and of its power of refusing to vote taxation that it will have those large powers of influencing our finances which it was intended by Parliament that it should exercise.'

I trust that the House will exercise those powers.

Dr. H. S. Gour (Nagpur Division: Non-Muhammadan): Sir, the almost universal congratulations bestowed on the Honourable the Finance Member, and the almost universal condemnation of his Budget are clear indication that, though the Honourable Member's Budget is mathematically right, there is something intrinsically wrong with the policy which underlies it. We have been told that we, the youngest of Parliaments, have shown ability and responsibility in dealing with matters of vital policy. Sir, we cannot justify these compliments which have been lavished upon us by the Honourable the Finance Member than by bringing to bear upon the discussion this morning that ability and independence for which this Assembly has already earned a reputation.

Sir, during the last two years the expenditure of the Government of India has been rising by leaps and bounds, and the Budget figures of last year, compared with the Budget figures of the ensuing year, will convince anyone that the Government of India is suffering from unwonted prodigality. The Government of India could not have been unaware that in doing so they are setting at naught the considered opinions not only of this House, but the considered and unanimous opinions expressed by the financial experts of the civilised world assembled in the International Conference at Brussels, at which the Government of India was adequately represented. Will the Honourable the Finance Member be surprised to hear what were the conclusions of that Brussels Conference? These are not the speeches delivered under the stress of political necessity, but these are the conclusions recorded by the leading financial experts of all the leading nations of Europe and America. In their unanimous report occurs the two following passages which I ask the Honourable the Finance Member to ponder over and reflect on. They say

‘Nearly every Government is being pressed to incur fresh expenditure, largely on palliatives which aggravate the very evils against which they are directed. The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin (*The Honourable the Finance Member ‘Hear, hear’*), to escape from that path no sacrifice is too great. (*The Honourable the Finance Member ‘Hear, hear’*).’

I hope the Honourable Member will cry out ‘Hear, hear’ to my next quotation from the Conference :

‘The statements presented to the Conference show that, on an average, some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and the preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure.’

I pause at this stage for some ejaculation from the Honourable the Finance Member :

‘Only by a frank policy of mutual co-operation can the nations hope to regain their old prosperity.’

Then again at page 10 this is what the experts said :

‘The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin. To escape from that path no sacrifice is too great. It is, therefore, imperative that every Government should, as the first social and financial reform, on which all others depend, restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.’

The Honourable the Finance Member is somnolent :

‘The Supreme Council of the Allied Powers in its pronouncement on the 8th March declared that ‘Armies should everywhere be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security, and that the League of Nations should be invited to consider, as soon as possible, proposals to this end.’

Later on, they italicise these words and point out that in no case should military expenditure exceed 20 per cent. of the revenues. Sir, what is the percentage of military expenditure to the revenues of this country? Is it 20 per cent. the maximum fixed by the financial experts at Brussels? Is it 25 per cent.? Is it 30 per cent.? Is it 40 per cent.? Is it not in the neighbourhood of 50 per cent.? This, I submit, is the crux of the whole question. We live here to feed that all-devouring, all-consuming, that all-desolating Moloch, the Military Department. Year in and year out, we are told that this Department exists from dire necessity. Last year the Honourable the Finance Member, in opening his Budget speech, said, the military expenditure of this country would be justified by His Excellency the Commander-in-Chief. I venture to think that the Honourable the Finance Member was here guilty of a dereliction of duty. It is not for His Excellency the Commander-in-Chief to lay down a policy justifying military expenditure. It is his duty to execute the orders which the Civil authorities give for the purpose for which the military expenditure is voted by the Central Government. I submit, Sir, the question is, therefore, not a question for the Military Department to consider. It is a question for the Civil Government to consider. It is a question upon which the Civil Government must formulate a definite policy. We want an assurance from the Honourable the Finance Member as to whether he is going to adhere to the policy enunciated by the Brussels Conference. Is he going to lay down a policy that no more than 20 per cent. of the revenues shall be devoted to military necessities? I submit, Sir the question in this case is not what the Military want, but what we can afford to give them. Public opinion in this country has been crying itself hoarse, from the days of the late lamented Mr. Gokhale down to the present time, asking the Central Government to enunciate a definite military policy, but the matter has been permitted to drift. We intend to ask the Honourable the Finance Member to define and declare to this House

the policy of his Government on the subject of military expenditure, and unless he does so, we shall feel constrained to use all the constitutional powers which the Government of India Act confers upon us to arrest the further progress of this Budget. Sir, the Budget is presented to us every year, but what is the relation which this Budget bears to the real figures, to the actual receipts? Take, for instance, the gross receipts of the last year's actuals. In the import duties the increase varied from 20 to 50 per cent. My calculations are rough. Increased realisations were below 10 per cent. Now they have been increased from 35 to 400 per cent. in the case of import duty on machinery. The Budget which has been presented to you expects an increase of about 50 per cent. that is, a rise from 37 crores to 51 crores. Railways increase from 10 to 30 per cent. The actual increase that was realised is 2½ per cent. The passenger rates are to be now raised by 25 per cent. Expected increase 20 per cent. What will be the actuals I shall presently disclose. Salt proposed increase 100 per cent.; expected realisations 85 per cent. Posts and Telegraphs increase about 20 to 30 per cent.; net decrease 6 per cent.

Now, the proposal is to increase by 50 per cent. on letters; they expect 22 per cent. increase which, I submit, is impossible. This is an illustration of the doctrine of diminishing returns to which my Honourable friend, Mr. Harchandrai Vishindas, alluded yesterday. The more you tax an article, the more money you expect from it, the more are your estimates falsified and you do not realise up to the expectations made.

Now, Sir, I said that the military expenditure has been growing by leaps and bounds. What about the civil expenditure? The civil expenditure has been running an even race with the military expenditure. In Railways in 1920-21, the working expenses was Rs. 54½ crores; in 1921-22, it rose to Rs. 66 crores; in the next year, the Budget figure is Rs. 68½ crores. Posts and Telegraphs in 1920-21, Rs. 8 crores, in 1921-22, Rs. 9 crores, and in 1922-23, Rs. 9½ crores. Customs Collections charges increased by 20 per cent. Taxes on income increased by nearly 125 per cent. Salt, including the cost of production, increased by 30 per cent. Opium increased by about 53 per cent. Forests increased by about 39 per cent. This enhancement is the second enhancement after the extraordinary additions made to the emoluments of the services prior to 1906-07. In the military we have 7,000 officers holding the King's Commission and an indeterminate number of Indian officers for about 65,000 British troops and 150,000 Indian troops; and it has been said that the post-war establishment is less than the pre-war establishment. Yet what do we find? In 1919-20, the Budget figure was in the neighbourhood of Rs. 45 crores; in 1920-21, it ran up to Rs. 54 crores and in 1921-22, it is Rs. 58 crores. These are the Budget figures. Look at the actuals. Actuals for 1919-20, Rs. 70 crores, for 1920-21, Rs. 68 crores, and for 1921-22, Rs. 62.20 crores. I ask, Sir, in view of these facts, how can we take an assurance from the Honourable the Finance Member that, even after the additional taxation which he wishes to impose upon this country, there would be only a deficit of about Rs. 3 crores? He has already told you that the expenditure on Waziristan is an indeterminate factor. He will come up next year and say that the actuals are as different from the budgeted figures as they were last year and that the deficit is once more somewhere in the neighbourhood of Rs. 40 crores. I ask, Sir, is the House prepared to finance the Government of India at this rate? (Cries of 'No'.) He told us that within the last four years the deficit has been Rs. 90 crores; and if you were to tax your people, tax the necessities, the necessities of the poor, you could raise the sum of Rs. 31 crores. But there is no finality to this taxation. Next year you may have to redouble those taxes. Honourable Members must remember that.

Now, as regards the taxes, I strongly object, Sir, to the salt tax. It has been said by the Honourable the Finance Member that the salt tax works to about three annas per head per annum. But has the Honourable the Finance Member forgotten that even cattle eat salt and that the requirements of cattle are far larger than the requirements of men? Is the Honourable Member aware of the fact that the salt tax as it exists to-day is the heaviest tax in all the civilised countries of Europe? Let me give him the figures. In 1907-08, France with a gross annual income of £25.7 per head per annum used to pay salt duty per head, in terms of a day's income, half a day's income; Germany with an income of £18.7 paid one day's income. India with an income of £2 paid two days' income. I read this from the proceedings of the Imperial Legislative Council of 1907-08. Is the Honourable Member, I submit, prepared to justify the imposition of the salt tax which, as I have said, is a matter of sheer necessity not only with the people but with the agricultural cattle of this country?

Then, Sir, I pass on to the question of the excise duty. In this connection, I commend to the notice of the Honourable the Finance Member the proceedings of 1914 when the cotton duties were for the first time levied upon the product of this country. Honourable Members will find there that the non-official opinion, European as well as Indian, unanimously condemned the imposition of a tax upon its nascent industries and the Government of India itself said that there was no moral justification for the imposition of this excise duty. What the Honourable the Finance Member then said was :

‘My Honourable friend, Sir Griffith Evans, describes the power of the Council as free and unfettered and calls upon Members to allow no infringement of that freedom. I cannot help thinking that this attribute of a quite independent power arises in some measure from the fact that the authority which in the United Kingdom is the ultimate deciding power in executive matters is also that which exercises legislative authority. But, as a matter of fact, I do not believe that there is any Legislative Chamber in the world that is allowed to exercise its functions without regard to some other authority superior or concurrent.’

And then he pointed out that he had received the orders of the Secretary of State to impose these duties and he was bound to give effect to those orders ; and what was the result ? On a division, the motion was carried by one solitary vote, the Honourable the Finance Member will find at page 450 that in a nominated Council of 23 who were present, it was stoutly resisted by all the non-officials, Europeans as well as Indians, and it was carried by one single vote. Sir, I strongly protest against the enhancement of countervailing excise duties, though I join with Honourable Members here in thinking that, if levied, it will not fall upon the capitalist, but will eventually fall upon the poor consumer ; but, I submit, the principle is a vicious principle. We cannot permit our young infant industries to be taxed by its own Government. I was interested to read a telegram, which must have amused the Members of this House, the Manchester Chamber of Commerce congratulating the Honourable the Finance Member upon the imposition of these countervailing cotton duties. We have been told that the Central Government has not been inspired by Lancashire to impose these countervailing cotton duties. Well, Sir, I am not in the confidence of the Government of India, I do not know whether these countervailing duties have been imposed on the inspiration of the Secretary of State, but what we do know is that they have led to a sudden jubilation in Lancashire

The Honourable Sir Malcolm Hailey : May I rise to a point of order, Sir ? The Honourable Member is, I think, referring to a statement made by me, in which I stated that these proposals were not based on any pressure or suggestion of the Secretary of State. I hope that, after I have repeated that statement to this Assembly, the Honourable Member will withdraw what he has just said, namely, that he does not know whether these duties were based on a suggestion of the Secretary of State.

Dr. H. S. Gour : I am very glad to hear that, Sir. It is a case of two persons thinking alike. Lancashire says : ‘How much we should like to have these countervailing duties,’ and my friend, the Honourable the Finance Member, sitting in Delhi, said : ‘How much I should like to impose on them.’ It is a case of two individuals, two great original minds thinking alike, and we find, Sir, from the telegram which Reuter has cabled to this country that these countervailing duties have received the support of the Lancashire people. I leave the matter at that, though I accept the Honourable the Finance Member’s assurance that these countervailing duties have been imposed *suo motu* and not under any pressure or orders of the Secretary of State.

Then, Sir, I pass on to the import duty on machinery which stands upon the same footing.

Kerosene and matches, I submit, are also a poor man’s necessity and should not be taxed.

We then pass on to other taxes, or rather to two other increases, the railway fare and the postal rate. I agree, Sir, with the majority of my friends who have spoken on this subject that the large increase of passenger fares, specially in the case of the third-class passengers, should be resisted by this House. So far as the postal rate is concerned, I submit, the matter is one in which the Honourable the Finance Member should allow this Assembly to express itself. We have said so last year, that the post office is a matter of public convenience and a small deficit should be worked off by increased retrenchment in the expenditure. I suggest, therefore, Sir, that the Honourable the Finance Member would be well-advised in re-casting his Budget in the light of the observations made by the Members of this House. We are prepared to assist the Government, but, at the same time, the Government must realise that we have also a duty towards our people. The Honourable the Finance Member in his Budget speech has

stated that we had not incurred any fresh expenditure, but he has avoided mentioning as to what he has done to curtail the existing expenditure. Honourable Members will remember that last year, when we delivered our Budget speeches, we made it abundantly clear that we protested against the increased and increasing expenditure, and we said that we gave our consent to the first year's Budget on the clear understanding that the Government should bring into existence a general Retrenchment Board and cut down expenditure. What has been done? When a Resolution was moved in this Assembly, it was stoutly resisted by the Government of India. When the Resolution was moved in the other Chamber, it was resisted and defeated. It was only under the pressure of this House that a Retrenchment Committee is about to be appointed, but its constitution is still obscure. The Honourable the Finance Member has, no doubt, stated that it will deal with civil retrenchment extending only to Rs. 20 crores. The Honourable Members of this House must make it clear that this will not answer the purpose. What we require is general retrenchment: the super-axe must be applied to all expenditure, whether civil or military. It is that which this House requires. It is not merely cheese-paring with the Civil Departments of the Government of India that this Retrenchment Committee was sought for. What we wanted was a complete revision of the expenditure of the Government of India. Is the Honourable the Finance Member prepared to constitute such a Committee?

Well, Sir, I shall only take one minute more to explain to the Honourable the Finance Member that he was one of those who strongly resisted the attempt made by a Member of this House to bring the Military Budget under the vote of this Assembly. He quoted chapter and verse, interpreted it in his own way, and, when he found that he was confronted with the adverse vote of this House, his Government consulted the Law Officers of the Crown, and they have decided that this Assembly has neither the power to vote nor even to discuss military matters without the permission of the Governor General. Honourable Members here are aware of the fact that the late Imperial Legislative Council was free to discuss the whole Budget as a matter of right and not as a matter of annual concession by the Governor General. Let them remember that this interpretation of the Government of India Act deprives this youngest of Parliaments of the right to discuss military matters, which the unreformed Imperial Legislative Council could discuss as a matter of right. We come here by the leave and licence and by the permission of the Governor General in Council (*Voices*: 'No, no'), by the permission of the Governor General, to discuss these matters which were open to free and unfettered discussion by the late Imperial Legislative Council. This is the effect of the Reforms ('Shame'), and yet we are told that this youngest of Parliaments possesses constitutional powers which will influence the decision of the Governor General in Council. Well, Sir, these discussions by the late Imperial Legislative Council and by the present Assembly have been annually directed against the increase of the military expenditure. Let us hope that the Honourable the Finance Member will at any rate take this year our decisions seriously and apply his own shoulder to the wheel of real and permanent curtailment of all expenditure, both civil and military.

Sir Montagu Webb (Bombay: European): Mr. President before proceeding to discuss the proposals that have been placed before this House for the purpose of carrying on the work of Government during the coming year, I should like to associate myself with those Members who have expressed their sympathy with the Honourable the Finance Member in the extremely difficult and unpleasant position in which he now finds himself. I may perhaps be permitted to remind Members that I took an active part in the controversies which raged 30 years ago and which were caused by the amazing rise in the value of gold.

I held in those days that there was nothing wrong with the rupee, that there never was anything wrong with the rupee. And there is nothing wrong with the rupee now. When the value of gold commenced to fall, I agreed with the recommendation of the Fowler Committee that the time had come when India might appropriately adopt a gold standard and a gold currency, and from that time I continuously worked in order to secure for this country that best possible of monetary tools. I think too, I can claim responsibility for the appointment of the Chamberlain Commission in 1913, and for the change of attitude on the part of some people at Home towards India the change of financial and currency attitude which the recommendations of that Commission brought about. I merely mention these facts now, Sir, in order to recall to Members' minds that I have for the last 30 years played a continuous and active part in the financial and currency deliberations in this country, and, with that experience behind me, I say unhesitatingly that the difficulties, the financial and currency difficulties, which were experienced in the past, and which were regarded as very serious indeed,

by the Financial Members and by the Governments of those days, were mere child's play compared with the unprecedented complications with which we now find ourselves faced. (Hear, hear.) It is for this reason, Sir, it is because the difficulties which the Honourable the Finance Member has now to overcome are of an unparalleled magnitude and are wholly without precedent in the world's history, that I urge that we should avoid all barren criticism and should unite in a sympathetic understanding of the true position in order that we may give to Sir Malcolm Hailey and to the Government of India every possible assistance in our power. (Hear, hear.)

Now, Sir, let me recall one or two facts. I confess to some amazement that hardly any of the Honourable Members who have already spoken on the Budget have referred to the war. We have passed through the most appalling and certainly by far the most expensive struggle in human history. In that struggle, India with the aid of the British Empire was able to resist all attacks upon her. She put forth her best and gave of her best. Now, in the progress of that war, owing to the demands of the war, and owing to the vast creations of new money essential to engineer victory, there has been brought about an increase of prices all over the world - an enormous increase of prices. The increase has been less in India than in Europe, but still it has been very serious in this country. That rise in prices has brought some few people great fortunes, but to the majority of the people of this country and to the Government, and in particular to Government servants on small pay and to everybody else on small pay (*Dr. H. S. Gour*: 'Like Members of the Assembly'), this rise in prices has been nothing short of a calamity. (*Mr. Jamnadas Dwarkadas*: Prices are going down everywhere, but they are rising in India.) The fall in prices which has commenced in the United Kingdom has, I do not think, yet been generally reflected in India, but the rise of prices in India as compared with the level of pre-war days, has not been nearly so great as it has been in Europe. That rise in prices has of necessity involved greatly increased expenditure in all directions, greatly increased expenditure for everything which Government has to buy, and greatly increased wages for all Services. Also, there is the consideration that we have to meet the interest charges arising out of the war loans. We have to meet the expenses of pensions for the families of those Indian soldiers who have fought and died during the war. Can we be surprised in view of the great increase in prices, of these additional charges for interest, for pensions and other expenses, that the Budget figures have recently gone up year by year and that they are now getting on for twice what they were before the war commenced? Surely it is hardly fair to attribute these increased figures to the carelessness or the neglect of the Finance Member and of the Government of India.

I have been trying to make some effort to discover exactly how far prices have risen. In the last report published by the Government of India, I find that the increase of prices of ten selected foodstuffs between 1913 and 1920 has been approximately 87 per cent. I find that the increase in prices of cotton, jute and sugar has been about 67 per cent. whilst the increase in prices of coal, iron, kerosine, and grey cotton goods has been about 152 per cent. It is difficult to determine exactly what the average advance has been, but it is certainly over 60 per cent, and it is possibly over a 100 per cent. I think we should be right in computing that prices have gone up very nearly a 100 per cent. We cannot feel very much surprised, therefore, if the expenditure of Government has very considerably increased also.

Now I come to this year's Budget statement. So far as the figures for the current year are concerned, there is a terrible deficit, — 34 crores. My Honourable friend, Dr. Gour, spoke as though the differences between the figures of Estimates and Revised Estimates were the direct consequence of the Finance Member's stupidity or neglect or ignorance. But, I submit, that an examination of these figures will show that this deficit has very largely arisen from causes entirely outside the control of the Finance Member or the Government of India. The expenditure has increased, the revenue has gone down. If we look to see exactly where the chief falling off in revenue has been, we find that Railways and Customs are chiefly responsible. I need hardly remind Members of this House who are familiar with trade and commerce, that the cause of this falling off is bad trade and nothing else. Bad trade is not confined to India. Bad trade is at the present moment unfortunately prevalent throughout the whole world, and it is extremely difficult to say exactly when the recovery will take place. That explains the falling off in the revenue. The increased expenditure last year has mainly arisen from the adjustment in the Exchange figures.

The Budget was calculated at 1 shilling 8 pence, — that is, the Home Charges. I cannot, I must confess, utter a single word of defence for that

figure or for the policy which the Government adopted last year in the sale of Reverse Councils. I think the policy and the estimate were wholly wrong. But the fact has to be faced; and the deficit in exchange arising very largely from the facts that trade has not yet adjusted itself, that India has not been able to sell its products, that there is no outside demand for rupees, and consequently the sterling value of the rupee has not increased—that too is partly responsible for the heavy loss in Exchange.

Now, let us take the Budget for the coming year. In the first place; leaving the details aside, the Honourable the Finance Member has budgeted for a deficit of 2½ crores. Now while congratulating the Honourable Member upon his courage in putting forward so highly unpopular a Budget, I must say that for my part I do not consider that we should budget for a deficit at all. I think that any deficit is a danger, a very great danger which is likely to wreck the whole of our finances and bring us completely to grief. For the benefit of some of those Members who may not be familiar with the operations of the currency I will explain that if Government's expenditure exceeds its income, there are only three ways by which the deficit can be made up. Government can put into circulation a lot more of paper currency. They can borrow the money and repay the loan later, or they can allow the deficit to drag on or debase the currency in some other way. Whichever course is adopted, the tendency is to produce a rise in prices. If more currency be created, the rise in prices would certainly be most severe. A loan may tend to cause a rise in prices, but it is not so bad as adding to our currency. Most of the difficulties from which we now suffer are due to a rise in prices. A great part of the Military Budget, of the increase in the Budget—has arisen owing to the increased cost of maintenance of the Army which certainly has not arisen owing to the multiplication of the Army. That has largely arisen owing to the general advance in prices which in itself is largely the vicious outcome of financing ourselves by the aid of further issues of paper currency. I think the Honourable the Finance Member himself explained that out of the 90 crores, the deficit of the last four years, about 37 crores have been obtained by the issue of fiduciary currency,—notes the only backing of which is our own I. O. U. s. This of course, is the very worst financial policy imaginable (Hear, hear), but there was no other alternative at the time. For that reason I most strongly deprecate budgeting this year for a deficit. We must, I submit, by hook or crook, make revenue and expenditure meet.

Now, the problem is, I confess, a very, very difficult one,—the problem is how to do it. The first portion of the Budget, to which I naturally look is the Expenditure side, and I ask myself how can the expenditure be cut down. Now, as a matter of fact, notwithstanding the figures quoted by my Honourable friend, Dr. Gour, as far as I am able to make out, the proposed expenditure this coming year is practically identical with the actuals of the current year. We are not budgeting for any increased expenditure at all. The military expenditure is, as a matter of fact, 4½ crores down for next year on the actuals of the current year. But we are still left asking ourselves, how can our expenditure be reduced? Now, I confess a very considerable sympathy with my Honourable friends who have complained of the magnitude of the Military Budget. Those for whom I speak are like myself convinced that the military expenditure is now greater than this country can afford (Hear, hear), and the problem we have to consider is how that item in the Budget can be reduced. Now, I cannot myself lay claim to any technical military knowledge, but I can give utterance to the conclusions of those with whom I mix and who feel that the military expenditure is heavier than we can bear. Now we look at the expenditure of pre-war days, 1912, 1913 and 1914 and we there find that the total Military Budget came to approximately, let us say, 30 crores. Now, let us admit that the prices have risen 50 per cent. Very well, if we have a military organisation of the same size as before the war, ought we not to get it for 45 crores? Even if we allow for the additional cost of inventions and new weapons of war which have come into use since the Great War, even if we make some further allowances and make 45 into 50 crores (Dr. Gour: 'No, no') (*An Honourable Member*: 'The Meston Committee fixed it at 43 crores'.) (*An Honourable Member*: 'After War recommendation is 43 crores'), surely we ought to be, —so it appears to non-military minds like mine,—surely we ought to be able to secure the same military organisation or an organisation of similar efficiency for 50 to 60 per cent. more than what we paid in 1913 and 1914. But even then, there is another consideration, and it is that which was referred to by my Honourable friend, Mr. Harchandrai Vishindas. We who have been in this country a good time remember very well that the Indian military machine was designed first and foremost to resist an invasion from the North-West by a foreign power. The whole of the policy on the Frontier, the whole of the locations of the military machine, were designed with the object of resisting an attack by a first class power.

Now, we all feel that the danger of that attack at any rate has disappeared (Hear, hear), and we feel that there does not exist any other danger at the present moment of a similar magnitude; and it is for that reason that we cannot help feeling that the 30 crores of 1913-14 (*A Voice*: '26 crores') should not be necessary at the present day,—that 30 crores increased, let us say, to 45 or 50 crores, even that expenditure should not be necessary at the present moment (Hear, hear.) And it is for that reason that I hope, and, I speak on behalf of a large section of the European community, that the Government of India will be able to find means for reducing this item in the Budget.

The next item upon which a considerable book loss is incurred is Exchange. But before I depart from the Military Budget, I should like to raise one further point. In looking through the Military Budget I find that the Home charges are converted apparently at 2s., whilst other charges are converted at 1s. 4d. in certain commercial departments. The result of entering the military charges at 2s. is to reduce the military expenditure by a crore and a half, so that it appears to me that the military expenditure budgeted for in the coming year is really a crore and a half greater than appears on the surface, because 1½ crores have disappeared in the Exchange account. That, I think, is a pity. I think that this Exchange account should be split up, and the losses on exchange should be carried to every department of Government to which they properly belong just as has been done in the case of Posts and Telegraphs.

With regard to Exchange, the book loss is enormous. The figures entered in the 1922-23 Budget is in the neighbourhood of ten crores. This leads me to ask if nothing can be done and if the resources of Government are exhausted in the matter of our foreign exchanges. I submit that for us to sit here with our hands folded and say that foreign exchange is a problem entirely beyond our ken and which experience has shown us we had better leave alone, would be to adopt a policy calculated to bring about a deficit of another 34 crores next year. I see nothing whatever at present to keep the rupee above the value of its sterling equivalent as metal. In other words, the rupee, if we let things slide, may quite conceivably be a shilling or 1s. 1d. next year. And then, should that occur, Heaven protect the Finance Minister who brings forward a Budget based on a shilling rupee.

Now there is one way in which this loss can be partly met, and that is by the imposition of an import duty on silver. I speak with 30 years' experience of currency matters behind me, and I confess to a feeling of amazement that Government should have neglected to take the opportunity of collecting a few crores on recent imports of silver. I am very very familiar with all the arguments that have been used for and against this duty, and I must say that my conclusion is that the duty is thoroughly sound and ought never to have been taken off. Anybody who takes the trouble to read the debate last year can see what a sorry mess was made of the whole subject. The imports of silver during the last 11 months amount to practically ten crores of tolas and I am credibly informed that there are millions sterling worth of silver on the way out now, all of which must, in the present condition of our foreign exchange, further add to the chaos in which we find ourselves. Seeing that we are faced with this deficit, and seeing that in my opinion there is no sound argument against an imposition of a duty on silver, I strongly urge that the old 4 annas rate be restored. (*Mr. Jamnadas Dwarakadas*: 'What about the Babington Smith Committee Report?') I have often read the Babington Smith Committee Report and it rightly and wisely recommended that, if possible, the duty on the precious metal should be removed, but the Committee very wisely added that this can be done only if the financial conditions of the Government of India permit. I strongly urge that this duty should be reimposed. I would go so far, in order to meet the objections of the Bombay bullion market, as to recommend that with a view to see that no injury is done to that market, Government should consider the feasibility of a drawback or bounty on export, so that if at any time it becomes necessary, in connection with the trade with China or elsewhere, or in connection with the state of the foreign exchanges, for India to export silver, then let the export receive a refund of the amount of the duty that was paid on the import of an equivalent amount. In this way the only silver which will have to pay duty, will be the silver which is actually used in the arts, and that metal, I consider, is a most suitable subject for a duty.

Now, Sir, I come to the question of the other side of the Budget—the income. I have no objection whatever to any of the taxes that are now proposed except perhaps the one on machinery. Several Members have called out loudly that certain of the taxes will fall on the poor consumer. Good Heavens! Whom do we expect these taxes to fall on except the consumer? There is no peculiarity about the excise on cotton goods. That duty, of course, will fall on

the consumer, and I may add that if it is not imposed, the money will go into the pockets of the Indian mill-owner. That is perfectly certain. I see not the slightest objection to the proposed excise duties. My friend, Sir Vithaldas Thackersey, stated yesterday that no country in the world imposes an excise duty on cotton goods (*Sir Vithaldas Thackersey*: 'On their own production.') I think that, if Sir Vithaldas Thackersey will examine the Japanese finances, he will find there is at this moment a ten per cent. duty on textiles manufactured in Japan.

Sir Vithaldas D. Thackersey: What is the import duty?

Sir Montagu Webb: I cannot tell you at the moment.

Sir Vithaldas D. Thackersey: It is 30 per cent.

Sir Montagu Webb: It may interest you to know that, according to the official information in my possession, the excise duty, that is to say, the consumption tax, as it is called in Japan, is paid *in addition to the import duty*.

Mr. Jamnadas Dwarkadas: But refunded when the article is exported, in order to encourage exports.

Sir Montagu Webb: I should raise no objection to a refund of the Indian cotton excise duty on exports, because that would be quite fair. There is an objection, however, I feel to the duties on machinery. The strong feature about the Honourable the Finance Member's proposals is that the taxes will be paid by consumers. That is right and proper.

But I think there are great objections to taxing capital and enterprise. The machinery which is imported into this country is for the most part required on capital account in the building up of new industries, and for that reason I would urge that a way should be found so that the duty on machinery should not be increased. I think at present it is 2½ per cent. (*A voice*: 'Yes.') My friend, Mr. Darcy Lindsay, suggested an expert Committee to devise new forms of taxation. (Laughter.) It is not a kind of thing that anybody would welcome, but there is no necessity, I think, to appoint an expert Committee. It is only necessary to examine the taxes levied by other countries to find other methods of taxation. I was looking last evening at the taxation in France, where I find they have a number of duties which we have not yet introduced into this country. I see that as regards the receipt stamp, for example, instead of there being one uniform rate, the stamp varies according to the amount of the receipt, so that a receipt for a big amount pays a big stamp duty. Then again there is a tax on business transactions; one per cent. I find is imposed in France, so that every business transaction that is put through, has to pay Government a tax of one per cent. Of course, it falls on the consumer in the end, but still that is another method of taxation. Then, in France, there is a taxation imposed on the use of electricity. Electricity has not yet very far developed in this country, but I daresay, even in Delhi, such a tax would yield some income. There are various other taxes too in regard to which we might draw a lesson from France if we desire to do so. Then there is the question of a Succession Duty. It has often been spoken of,—a succession duty all-round in India. * I am not prepared exactly to say how it could be done, but I should like to see death duties all-round collected in this country, as they are collected in the United Kingdom.

Well, Sir, I must not further occupy the time of this House. I would like just briefly to summarise what I have said. I submit, Sir, that the Budget as it appears to-day is not the product of the iniquity or folly or extravagance of the Finance Member, but that the increased figures have been brought about very largely by the Great War,—by the increase in prices caused by the war, and by the pensions; and by the interest that we have to pay on the outstanding war and other loans. The figures are high; they are deplorably high; they are so high that I am doubtful how far the country will be able to bear them. But I see no easy way out of the difficulty, and I do not think we should be consulting our dignity or should be adding to our credit if we merely refused to vote the taxes because they are high. I think Government have heard very pointed expressions of opinion in regard to the Military Budget, which I am quite sure will yield fruit. In conclusion, Sir, I would say that the Honourable Finance Member himself draws our attention to the fact that our difficulties arise more largely from difficulties outside India than from difficulties inside India; and he concluded with the words:

'We must move in line with the best thinkers of the outside world in seeking the remedy; and the one solution which they can indicate for the difficulties in which State finance now everywhere finds itself is the deliberate attempt at any cost and at any inconvenience to make revenue meet expenditure.'

Now I would prefer to put it the other way (Hear, hear), namely, that we must strain every nerve and every muscle to keep down our expenditure to the figure that we can bear. (Applause.) If the Honourable the Finance Member and the Government of India will take this as their motto in the year before us, I feel quite certain that this House will do all in its power to help the Government to overcome the very serious difficulties that are now before us. (Applause.)

Mr. J. P. Cotelingam (Nominated : Indian Christian) : Sir, in the course of the debate yesterday and to-day many compliments have been paid to the Honourable the Finance Minister, but many more missiles have been hurled at him, and there has been more heat displayed by some Honourable Members and less light thrown, upon the various questions that have come up for discussion. As has been pointed out, we are face to face with a large deficit; and this deficit is not entirely to be attributed to the way in which the finances of the country have been managed. Of course, Sir, it is a well-known law that 'the general custodians of the finances of the State are the Government; and the primary duty of the Government is to see that no policies are launched or maintained that over-tax the resources of the State. If expenditure should outrun income, the responsibility must necessarily lie with the Government.' But, as we all know, there have been many extenuating circumstances. It is the aftermath of the Great War that is responsible to a very large extent, for much of the trouble that we are in to-day. The general trade depression must account for a great deal of our financial troubles. It is the bankrupt condition, the unrelieved hopelessness in the financial position of many a country in Europe with which India has been dealing that is largely responsible. But it is a matter of congratulation to know that, although we have been brought into the whirlpool of world-financial troubles, we are able to lift up our head.

I will not, Sir, go into the question of the Exchange problem, as so many of those who preceded me have dwelt upon that subject. I need hardly remind the House that it is an international problem,—complicated, as it is, by the interaction of various circumstances. I will not therefore enter into the question of the Reverse Councils, for that matter was sufficiently dealt with when we met about this time last year, and there is no use crying over spilt milk. The most important matter in connection with the Budget which is before the House is the military expenditure. I do not think that the Assembly takes serious exception to the maintenance of the present strength of the Army, as it does to the military expenditure. I would like to know how that military expenditure can be kept down when, in the present political situation, we are confronted with foes within and foes without. No one at this critical time can think of reducing the strength of the army, or the strength of the British section of that army in its relation to the Indian. If the country was in a state of comparative peace and tranquillity, if the peace of the country had not been disturbed as it has been for some time past; and if non-co-operators, in trying to hasten the pace of the Reforms unduly, had not been carrying on a propaganda which is detrimental to the best interests of the country, I think, Sir, we should not have found it necessary to maintain the present strength of the army. But we have to do it, for we are face to face with circumstances that compel us to see to it that the strength of the army is not reduced. For, within the last few years our troops have been frequently called to help the police. If we do not maintain the army at its present strength, we shall be compelled to strengthen and to greatly increase our police everywhere, and also to maintain a reserve police force, so that law-abiding citizens may be protected from molestation caused chiefly by the non-co-operator who is abroad to-day. But, Sir, I am not of the opinion that no retrenchment whatsoever can be made in the Military Budget. Yesterday more than one speaker drew pointed attention to the plague spot in military administration, namely, the Supply and Transport Department. That is not a matter of yesterday or of to-day. For many years past there has been a cry in the country against the great leakage in the Department. The country does not object to any benefit which is derived from the Department by the soldier or the sepoy; but to the unfortunate situation that it is the contractor who is most enriched by the way in which the Department is controlled. The remedy lies not simply in the exercise of a strict control, but of a very severe control, so that all leakage may be stopped.

In connection with the military expenditure, I, as well as other Members of this House, would like to know how long the Waziristan expedition is to go on and if it is the policy of the Government to occupy Waziristan permanently or is our occupation to be ended as soon as possible? There is, Sir, a silver lining to every cloud, and I hope the House will be given some assurance by His Excellency the Commander-in-Chief or the Military

Secretary that the operations to Waziristan will not be allowed to unnecessarily burden the tax payer. The expenditure on account of our Frontier Policy is the white elephant in our Military Budget.

I would now, Sir, make just a few observations, in the limited time that is at my disposal, on the recommendations made by the Finance Member with a view to meeting the deficit. The first item to which I would like to draw the attention of the House is the proposed tax on machinery. It is one that is sure to retard production and to injure the industries of the country. And as mill-owners and others who have to import a large quantity of machinery have also other taxes to pay, I for one would like to see the proposed increase in the import tax removed. If it must be raised at all, I think that the increase from $2\frac{1}{2}$ per cent. to 10 per cent. is too high. It would be a great relief if it were only raised slightly, say, from $2\frac{1}{2}$ to 5 per cent.

The next item is the increase of the salt duty. One Honourable Member pointed out that the salt duty should not be enhanced for the reason that the bulk of the people who use salt are vegetarians. Vegetarians or non-vegetarians, it will certainly be a hardship to raise the duty on salt. At the same time, it has to be remembered, Sir, that at one time the salt duty was much higher than what it is now proposed to impose, and at the time it was reduced it was considered that it might be necessary to raise it again if circumstances demanded such a course. I am not sure that the poor—about whom we have heard so much in this House—are so poor, that they cannot afford to find the small extra sum required of about three to four annas to meet the extra cost.

I for one should regret to see the disappearance of the quarter anna postcard and the half-anna postage stamp. Here again, Sir, we have been told that it is the poor who will be hit. I am not quite sure if it is the poor that largely contribute to our postage revenue. The Postal Department is a Commercial Department and it is bad policy to see that the Postal Department does not raise the revenue that it requires for its management and maintenance. Until last year almost all the lower officials in the Postal Department were very poorly paid. They have had heavy responsibilities thrown upon them, heavy duties to discharge, and we had the luxury of a cheap postage system, the quarter-anna postcard and the half-anna postage cover. But as the officials of all grades in the Postal Department have, like other services, had their salaries raised, so that they may be able to do their work more efficiently, the time has come when Postage revenue has got to be raised to some extent. The labouring classes have had their wages increased, not 50 per cent. only but in several cases cent per cent. The average agriculturist has also improved, for his products command a larger sale in the market than they used to at one time, and if the labouring classes have had their wages increased and the agricultural classes get better prices for their agricultural products, there is no reason, Sir, why there should not be some increase in the revenue to be derived from the Postal Department.

I now come to the Income-tax proposals. One anna and six pies has been recommended as the tax to be levied on an income of Rs. 40,000. Here, Sir, I think there is no reason why some additional income may not be raised by a rise from Re. 0-1-6 to Re. 0-2-0 in the rupee if we remember the fact that in Great Britain the taxes on income are much higher, and I would, if the Honourable the Finance Member would agree, propose the inclusion of a few grades between incomes above Rs. 10,000. As recommended, a tax of 6 pies in the rupee is leviable on a total income rising above Rs. 5,000 and going up to

Mr. President: Order, order. The Honourable Member should reserve his remarks in detail till we come to the Finance Bill.

Mr. J. P. Cotelingham: I would ask for the inclusion of two grades in those recommended under Income-tax, so that a little more income may be made from that source.

Coming, Sir, lastly, to the question of the raising of the Railway passenger rates, I should like to point out, as several Members have done already, that it was only recently that the rates of first and second class passengers were raised, and, if it is absolutely necessary that additional income should be derived from this source, I hope, Sir, some relief may be given by the re-introduction of the old return concession tickets that we used to have. I should like the ordinary third class passenger rates stand as they are and the third class mail fare increased. If some such relief is given, the proposal to increase the Railway passenger rates may not be objected to.

His Excellency the Commander-in-Chief: During this debate almost all Honourable Members have criticised the military expenditure, some of

them from the point of view of policy and others from the point of view of detail. Now, later in this debate, the Army Secretary will deal with those points which refer to administrative details, and I propose myself to confine the remarks that I am about to make to the larger question of policy. I observe that some Honourable Members have changed their places and from the side position which they occupy now they have, or some of them have, delivered what they call side attack against the Army or against the Army expenditure. We in the Army usually call this a flank attack and this is often very effective. (Hear, hear.) But on this particular occasion, I propose to counter that flank attack by making a definite and direct offensive (Laughter), because I think at this juncture and especially in this House at the present time we do require a certain amount of plain straight speaking. Since I addressed this House on the subject of the Budget a year ago, I have used every possible endeavour to cut down the expenses of the Army and to reduce the Budget figure to the lowest possible limit. My efforts have been seriously hampered by unforeseen events, and instead of being able, as I hoped, to present a figure which would show a material reduction on last year's estimates, I have had to submit one that shows really no material change. Furthermore, it includes a figure, which, as the Honourable the Finance Member has already told you, can only be considered as tentative in reference to Waziristan and which may possibly have to be increased. This is, however, a matter, to which I shall again refer, but I may say now that it is under consideration. The details of the increases and decreases have already been summarized in a Memorandum which has been laid before the House and will be referred to by the Army Secretary later in this debate. But there are certain points in connection with that Memorandum which I should myself like to emphasize as much as I can.

Owing to unforeseen and to unforeseeable conditions, such as the rise in prices of food and clothing, and of other military necessities, together with a large increase in the railway charges (for it must be remembered, Sir, that the cost of all movements of troops to deal with civil disturbances or riots are at present charged against the Army vote), the economies which I would otherwise have been able to effect in the reduction of the military works programme, in the charges for our Army Headquarters Staff, and the re-organisation of artillery and cavalry, have, I am afraid, been completely swallowed up. Had it not been for these rises in prices, etc., I should have been able to show to the present Assembly a figure that would have been a considerable decrease on last year's Budget, especially in regard to the established charges. But, even as it is, notwithstanding the adverse conditions which we have been forced to meet, it has been possible to submit a total figure very nearly the same as that which was presented last year. And, in order to accomplish this, Sir, it has been necessary to postpone for another year practically all the purchases of equipment in the shape of the latest pattern guns, armoured cars, machine guns, etc., which are so urgently needed in order to bring the Indian Army up to the high standard of modern efficiency which I know the House desires, and to give to the Indian soldier, when he goes into action, every help and assistance that modern mechanical invention can provide. For I hold strongly, and I think the House will agree with me, that it is not fair to ask the sepoy to-day to go into action and to fight our battles on the frontier and elsewhere with anything less than the most up-to-date equipment (Hear, hear); but the financial stringency this year is such that I have been obliged to postpone the purchase of this expensive equipment for another twelve months. It has likewise been necessary to completely close down the building programme for new barracks, notwithstanding that, as many Honourable Members know, and some of them have seen, the barracks in which we are obliged now to ask our soldiers to live are shamefully out of repair and urgently need reconstruction. Funds, however, are not available this year to carry out such new work, and though we have retained enough money to complete such work as has already been commenced, and to carry out the maintenance of repairs, the programme of new expenditure has had to be postponed for another twelve months.

Economies have also been effected by the re-organisation of artillery, by the amalgamation of cavalry units, and by the reduction of staff, and I would add that a strong Committee of the Government of India will shortly be assembled to further examine the *personnel* of both the Headquarters and other staffs, with a view to ascertain if further reduction can be made in this direction.

I had hoped that my efforts in the direction of economy would have provided considerable reduction in the total figure of established charges of the Army, and it is therefore somewhat disappointing to find that, notwithstanding all my efforts, the Budget figure still remains at 62.18 crores.

Though I do not for one moment contend that we have reached the utmost limit of economy in the administration of the Army, I do say that no considerable reduction can be effected in future years without reducing the actual fighting strength in the shape either of regiments, battalions and air units; and for the moment, at any rate, I cannot contemplate any such reduction in the strength of the fighting army. For remember, Sir, that, compared with our pre-war army in 1914, we are at the moment some 29,000 men below establishment, including temporary shortages; and that our permanent reductions have been made on the assumption that our post-war army would be provided with all the latest developments of armaments which have come to light during the Great War, and in the mechanical contrivances to assist our troops. It is true that we have already an Air Force in being, and I should not be reluctant, if money were available, to increase that Force. But it is not possible at the present time, and we are still lamentably below our minimum of requirements in guns, in tanks, and in machine guns.

The conditions on which our previous reductions were originally based have not therefore been fulfilled, and it will be at least another twelve months before these deficiencies can be made good.

That we can make no reduction in fighting troops is therefore my definite and considered opinion at the present time. This conclusion has been forced upon me by the general state of unrest in India to-day. When I look at the internal situation at the present moment, I see, firstly, seditious propaganda being circulated broadcast amongst the population; secondly, the troops are being called out almost daily to preserve the peace and to quell disorders; thirdly, that the Moplah rising which has taken nearly six months to suppress is at least an indication of what may take place in other areas; and fourthly, that the very loyalty of our Indian soldiers is being tampered with by the seditionists, and, I am sorry to admit, not without success in some cases.

With these facts before me, is it surprising that I have come to the conclusion that no reduction of our fighting soldiers is now possible. When the internal situation is quiet, when United India can show that her loyalty and devotion to the British Empire are beyond question, and when those who ought to know better cease to stir up racial animosities, I shall be prepared to consider reductions in the Army, but not before. I should be false to the duty which I owe to this House, as well as to the Government of India, if I agree to reduce the British garrison below the point which I deem safe; and I say quite candidly that in the circumstances the British garrison in India is none too large.

The whole strength of the military forces in India was considered last summer, as you know, by the Military Requirements Committee, of which I was the President. The recommendations that we put forward are now before a Sub-Committee of the Committee of Imperial Defence in London. I had hoped that their labours would have been completed before now, but the subjects with which they have to deal are complicated and perplexing, so their deliberations have been protracted, and it will not be for some time yet that they will have reached definite conclusions.

For the present, therefore, I can only counsel patience.

Now, it might perhaps be argued that though the internal situation is no doubt giving us cause for anxiety and that in consequence we should be unwise to reduce our internal security garrisons, we now have a treaty of friendship with Afghanistan, and that, therefore, some reduction might be possible either in the field army or in the covering troops. It is quite true that a treaty of friendship has been signed with Afghanistan, though we only came to terms after prolonged negotiations lasting nearly a year. The treaty itself has only been in operation for a few months. I am in great hopes not only that the friendly relations which it secures with our Afghan neighbour will be preserved, but that, as time goes on, they may improve and even develop into closer and more intimate relationships; but it is a little early yet to base a policy of army reductions on so recent a treaty, especially as our relations with the inhabitants of the North-West Frontier have in the past not been marked by long periods of stability. It would, therefore, be manifestly unwise to base our army policy on a friendly agreement on the signature of which the ink has hardly yet had time to dry.

I will now pass on to Waziristan, which claims a large figure in the Budget and which at present, as in the past, gives us cause for considerable anxiety and doubt. In spite of the fact that in 1920 we fought our way to the heart of the Mahsud country and have been in possession of it ever since, we have so far failed to establish peace within that land of *budmashes*. We have, however, succeeded in protecting the peaceful subjects located within our own administrative border from serious raids by the Wazirs. But the

occupation of Waziristan, I admit, is costing us heavily both in casualties and in cash. The expenditure during the last 12 months has reached, as you know, over six crores, and from April to December last we have suffered 200 men killed in action, 444 died of disease, and 300 wounded. In this year's Budget it will be observed that we have taken only two crores and 13 lakhs for the expenditure in Waziristan; but I understand that in the Civil Budget some 60 lakhs has also been appropriated under this head in order to provide for the further tribal allowance and the Khassadars within the tribal area. It is hoped that, by bringing money into the pockets of the Mahsuds and maintaining a military position which will dominate Mahsud land, we may continue to protect the peaceful inhabitants of the Derajat plain from being raided by the wild hillmen from across the administrative border.

I notice that some Honourable Members have made a point that it is not advisable to continue to spend large sums of money in the pacification of Waziristan, and that it would be a more economic policy to withdraw entirely from the country and to remain within our own administrative border. I observe that practically all those Honourable Members who have put forward this suggestion come from places like Bombay, Madras, Calcutta, which are at least 1,000 miles from this turbulent area. I wonder whether, if they happened to inhabit the North-West Frontier Province themselves, they would be of the same opinion. I am inclined to doubt it. A further reference has been made by one Honourable Member who has suggested I think he definitely stated—that this policy in Waziristan which he wrongly described as 'a forward policy' was dictated by the War Office. Now, last year, this bogey of the War Office was flying about the House, and I said then that, as your military adviser, I was working in the interests of this House and the Government of India, and that the War Office had absolutely nothing to do with the military policy on the North-West Frontier. I desire emphatically to repudiate the suggestion of the Honourable Member and I repeat what I said last year, that I as your Commander-in-Chief am the servant of this Assembly and your military adviser and that I would not tolerate the interference of the War Office in these matters.

Now, the best solution of this very difficult military problem of Waziristan is, in my opinion, to dominate the Mahsud country by military force and to construct roads through that country. for it is only by roads that we can hold the Mahsuds in check and protect our own subjects within our borders. Until we can freely move about and concentrate our forces rapidly at any point we shall always be at a disadvantage in dealing with these expert mountaineers in the guerilla warfare of which they are the past masters. Recent indications point to the acquiescence of the majority of Mahsuds in the policy that we have been pursuing, but it would be highly dangerous to count on such indications as in any way guaranteeing their future good behaviour, and it may therefore be necessary, as time goes on, to ask for a further sum of money in order securely to establish our position in this most turbulent frontier area. It would be particularly unfortunate if at this juncture when the financial stringency is so acute we should not be able to hold out more hope of economy under this item of the Budget; but, as any change would indicate in the minds of the Mahsuds the idea that we were weakening in our determination to dominate and pacify their country, it would probably force us in the end into still more costly operations, and not only in Mahsud land itself but also in the troubled area which surrounds their country. I would emphasise that the only reason that we have gone beyond our administrative border is to protect our own peaceful inhabitants. A withdrawal, such as has been suggested by certain Honourable Members, would certainly entail the exposure of our own subjects to rape, murder and all the horrors which a Mahsud can impose on peaceful inhabitants, and it is in order to protect our own people that we are there at all.

To turn now to Indianisation of the Army and the progress that has been made and is being made in the territorial force. As regards Indianisation, a scheme has been drawn up which has for its object the gradual elimination of British officers now serving in certain fighting units and replacing them by Indians. You will understand that it must necessarily be in the nature of an experiment and also that the process must be gradual for the simple reason that at present Indian officers of the required standard of education to replace these British officers do not exist and that it will take considerable time to train them and teach them their business. In the British service it takes anything from 15 to 25 years to train a British officer to command a battalion of infantry or a regiment of cavalry; and it can hardly be hoped that we shall succeed in training young Indians of to-day to be put in a position

to accept this great responsibility in a less period of time. But we are determined to make a beginning and, with this object in view, His Royal Highness the Prince of Wales is opening, on the 13th of this month, the Prince of Wales' Royal Military College at Dehra-Dun which is destined to take young Indians between the ages of 12 and 15 to train and to train them for either Sandhurst in England or later on for the Indian Sandhurst, if and when that is established in this country. The Kitchener Memorial College at New Delhi, of which His Royal Highness laid the foundation stone last month, will be wholly for the sons of Indian officers and will fulfil a similar purpose, while the King George's Schools at Jhelum, Jullundur and Bareilly will be military schools where the sons of Indian soldiers will receive anglo-vernacular education in preparation for a career that may be either civil or military. You will see, therefore, that genuine efforts are being made to enable young Indians to acquire the necessary education in order to undertake the serious responsibility which devolves on those who have to lead their comrades on the day of battle. We only hope that a sufficient number of young Indians of the right stamp and physique will come forward to take advantage of and to fill up these educational establishments; for, without an adequate supply of good material, our efforts must necessarily be in vain. The progress that has been made during the past year with the Territorial Force has on the whole been satisfactory, though it is by no means uniform. We have so far started and are in process of raising 9 battalions of infantry and pioneers and $6\frac{1}{2}$ battalions of University Cadet Corps. Of the 9 battalions of infantry, only 2 of them are up to strength, and has scarcely made any progress at all and the remainder are still struggling to obtain the required number of recruits. The University Cadet Corps are only just beginning to develop; it is only a few months since their Adjutants were appointed and it is hoped that in future their progress may be more rapid; but I cannot say that up to the present their progress has been satisfactory; nor was this perhaps to be expected in view of the wave of agitation and seditious propaganda which has swept across nearly all the Universities in India during the past few years. In answer to Question No. 246 by Sir Sivaswamy Aiyer, further details of these battalions were given to the House by Sir Godfrey Fell on February 6th last. We have taken a sum in this year's estimates of Rs. 10 lakhs for the further development of the Territorial Force during the coming year and we propose, if all goes well, to raise another 10 battalions in various parts of India.

I fear that I have already detained the House too long; but there are in conclusion one or two further points to which I think it is desirable that I should refer. Under the Reform Scheme, India is marching towards Dominion status and Self-Government. From what I can see, many of our keenest politicians are not content to march with events but desire to run, and some of them who are the more ardent ones, even wish to fly in order to reach their goal more quickly. I wonder if they ever consider the part that the Army must eventually play in the development of Dominion Self-Government in India. In company with other great departments of State, the Army must eventually be Indianised, but will it ever be possible, either in the Army or in the Civil Services, to completely eliminate the British element, either in the one or in the other? I venture to think that it will be at least several generations before any such development can take place. As far as the Army is concerned, we are making a beginning; and all I desire to point out is that the process must be gradual and that, if we endeavour to go too fast, we run grave risk of making a failure of the whole venture. It is absolutely necessary to proceed cautiously and to experiment with certain selected units, so as to see that they are a success, before we proceed further. It is a highly dangerous policy to gamble with the efficiency of an Army, especially when we have a hereditary enemy sitting on our frontier and taking the deepest interest in the process of evolution through which our Army must pass, step by step.

I would add one word more. The state of India to-day is one that gives cause for serious anxiety. The ability of Government to maintain law and order throughout the wide areas of this land is being and will I fear be, put seriously to the test at no distant date. In such circumstances, I should not be fulfilling the responsibilities which rest on my shoulders as your military adviser if I agreed to any reduction in our fighting troops. That such a reduction is desirable for financial reasons, a glance at the present Budget shows beyond all question. The surest road to economy in the Military Budget lies in the creation of a peaceful and loyal and contented India. The Army is in itself the only bulwark against chaos and disorder. The price which India pays for her Army is her insurance against

anarchy and rebellion, and we all know that those who under-insure their property are in the end bound to come to grief. (Cheers.)

The Assembly then adjourned for Lunch till Fifteen Minutes past Two of the Clock.

The Assembly re-assembled after Lunch at Fifteen Minutes past Two of the Clock. Mr. President was in the Chair.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadan Urban) : Sir, if I did not attempt to intervene in the debate yesterday or earlier this morning, it was because I had no desire to add to what has been termed mere barren contributions in the shape of destructive criticism. The time has gone by in the new ordering of things when old world Budget-time conventionalities in the shape of moans and lamentations would be of any use. The Assembly was given several volumes of thickly printed information which has to be digested in less than a week and it has to make up its mind and bring forth what constructive proposals it may be possible to evolve in that time without any secretarial or other assistance. In that state of things, it is not remarkable that constructive proposals are few and the destructive criticisms are many. If it was a mere debating society discussion, as some suggest, public time and stationery might well be saved and speech might be economised. There is a point, however, that was brought out this morning as the result of Dr. Gour's characterisation of the excise cotton duties as a measure of placation of Lancashire which, I think, will arrest the attention of the Assembly, for it raises issues that have to be squarely faced. It was attempted to be made clear by the Honourable the Finance Member and later on by His Excellency the Commander-in-Chief that the man on the spot enjoys the entire confidence of the Home authorities and is in fact uncontrolled and supreme. We were told with some indignation that the excise cotton duties were not imposed because of a mandate from the Secretary of State or to placate Lancashire or as an election time asset. We were also told that the policy of occupation of Waziristan was not dictated by the War Office or by exploiting considerations and that the men on the spot conceived and controlled both these policies. That is interesting information which, I am sure, the Assembly will welcome, for it shows the Government of India is wholly untrammelled and therefore fully responsible for what it does or does not. That places the Assembly also, so far as the Government of India is concerned, on a more assured footing, for the Assembly can have its reckonings with the Government of India. Those who talk straight must also be prepared to hear straight talk. Our relations with the Government of India are immediate and direct, and we can have no seisin of the War Office or the Secretary of State. From that point of view, the information that casually came out this morning is of more than passing interest. But let us consider the other side of the question. The Secretary of State has on his Council several Indian Members, and one of them is an eminent expert financier who has just joined the Council. I suppose we must take it that, with regard to what has been considered as obnoxious taxation in many quarters, not only in the shape of cotton excise, the Secretary of State and his Council, consisting of several Indian Members, one of them an expert, has not had a chance of expressing an opinion. Is that right? Indian opinion entertained at considerable cost in England is thus lost in regard to most vital matters. We have no doubt in the Government of India three distinguished Indians who certainly had some part in the shaping of that policy. If the position is cleared up from certain points of view, it is made more difficult from certain others, and Indian Members of the Government of India, who are as patriotically anxious as any of us for the advancement of industrial development and curtailment of avoidable taxation and expenditure, have committed themselves to this policy. It is not without considerable and responsible Indian backing, so far as cotton excise duty is concerned, that it has been ushered in. It had no such backing in the Executive Government before, and, as we must gather, it had not the backing of the Indian Members of the Council of the Secretary of State. That is the history of that objectionable and unscientific taxation, and a very strong case for it must have been made out in the Government of India bureau most of which is not public. What is the Assembly to do under circumstances like this, specially after the failure of its strong and earnest appeal to His Excellency the Commander-in-Chief to come to its assistance with some reduction at all events of the military expenditure, so that the two points of view could be made to meet as far as possible? What is the position of affairs? We were told last year, and this year again have we been assured that the possibility of reducing military expenditure has been receiving the attention of a sub-committee of the Executive Council here, of a sub-committee of the Committee of Imperial

Defence and a Committee of the Indian Legislature and various other Committees. Everything, therefore, that could be done is said to have been done and the Commander-in-Chief is notable to hold forth any promise or hopes whatsoever in the near future of being able at all to reduce expenditure unless prices come down and certain other contingencies, which His Excellency has revised this year, come about. So far as prices are concerned, their coming down will affect the Government as well as the people alike, and will not materially affect the situation. Though Afghan and Sevies treaties have been signed, His Excellency cannot change his mind because of non-co-operation and sedition.

We are told that the army expenditure is largely increased, if not mainly, on account of the high prices of stores and of other requisites though there has been numerical decrease. The question of prices affects all alike, the tax-payers as well as those that depend upon taxes. The position is not improved, therefore, by pleading high prices as the cause of high military expenditure. We have got to take the situation as we find it, and no appeal to the Assembly with regard to exercise of common sense or sense of dignity or responsibility is likely to have much effect unless we can have the whole-hearted co-operation of the Government for reducing expenditure to some extent.

Rigid adherence to its maximum demands will not ease the situation. Four matters stand out in bold relief out of yesterday's debate and to-day's. Though there may be some slight difference in details, I think non-official opinion in the Assembly is fairly strong that all the taxation that has been demanded cannot be agreed to. Indications of means have not been wanting by which the reduction in deficit brought on by exchange may be possible and we have had some minor constructive proposals by which further revenue may be possible although Mr. Darcy Lindsay's invitation about issue of premium bonds has not been taken up as readily as he had hoped. There are directions in which the Retrenchment Committee, when it comes, ought to be able to show savings, but, if Mr. Percival's estimate about the undermanning of the Government of India and its various Departments be correct, and if corridor rumours be well founded, I am afraid it will be better to have no Retrenchment Committee at all, for it will only end in an addition of expenditure and not in reduction. It will all depend as to how the Committee is constituted and how it is worked. But, apart from that, are there not other directions in which some slight reductions in the Budget would be possible? Is it necessary, for example, that, in a year of stress like this, the whole of the railway programme, although recommended by a Committee, should be taken up? Should we not rather see whether, in the place of 30 crores, a lesser sum, say, in the neighbourhood of 15 crores, would not answer the requirements of the year in addition to the considerable sum that is spent in renewals and repairs? That would give a saving of about a crore of rupees in sinking fund and interest. A policy of hastening slowly will enable inquiring into the reasons of losses in railway management which we deplore.

Then, again, there may be a question as to whether the claims of New Delhi may not for the year, at all events, be suspended, and, although the grant comes out of capital, it is worthy of consideration if it could not be reduced for the year by say, half. These are matters about which Government might carefully consider and try to meet the views of the Assembly to a certain extent, so that the threatened certificate procedure which has been looming large in the minds of some Members may be avoided and an impossible and certainly undesirable state of things may not be brought about.

Sir, if it was a matter in which we had entirely or partially to depend upon the Secretary of State, perhaps there would be difficulty, on account of delay in recasting the Budget at this stage. But from what we gathered this morning, the Secretary of State does not dominate the position and it is open to the Members of the Government of India, as a Government, to do what they can to ease the situation and to meet the wishes of the Assembly as far as possible.

In those circumstances it appears that attention may be concentrated upon three or four cardinal points. I think there is a consensus of opinion with regard to the excise cotton duty. So is there with regard to import duties on machinery, and if the whole of that cannot be exempted, then it should be seriously considered whether, at all events, machinery required for the cotton industry and machinery already under contract may not be exempted. The question of postcards is also engaging considerable attention, and in the interests of the poorer section of those who use the needlessly losing Post Office it will be fully worthy of consideration, even if the half-anna postage is to go, whether the pice postcard could not be saved. Last of all, Sir, there is the question

of the salt tax, with regard to which some of our European friends do not see eye to eye with us. The struggle about this tax has gone on for the last 32 or 33 years, with varied degrees of vigour and vicissitudes. For reasons of a personal nature I would rather not have touched on that question, but I feel the need of expiation. Near upon a third of a century ago, it was my unpleasant duty, under other circumstances, to oppose a reduction of the salt tax because of reasons that have been fully urged by many who now favour the enhancement and which could be added to if need be. But things have considerably changed and the same consideration cannot be urged. If Government had adhered to what they then thought was necessary and right and if the people had not been accustomed to reduced taxation as the result of the prolonged struggle, to which I have referred, there might have been some sense in maintaining it. But as it happens, the reduction came, and it is only a matter of extreme urgency, as he tells us, that the Finance Member has been obliged to resort to it. That, in the present state of excitement and unrest in the country, will not be at all helpful either as a revenue measure or as a palliative measure for easing the situation and averting popular indignation. That is a factor that must not be lost sight of, and it would be very short-sighted indeed to afford reasons for further continuance of agitations that have been troubling the country for a long time past. Supposing these four items of taxation to which I have referred were objected to, and objected to effectively, it would affect the situation to the extent of about 10 or 12 crores. How to meet this? Is it absolutely necessary, I ask, that the whole of the exchange deficit in the neighbourhood of 15½ crores should be taken into account in the next year's Budget, and can it not, in accounting, be spread over more years. More or less speculative reasons which were not allowed fully to prevail on the previous occasion have influenced erring on the side of caution this year, if one may so call it. If any further portion of the deficit is to be left uncovered, probably some portion of the exchange deficit might be dealt with in this way. And, failing reduction in the Military Budget even so slightly, we shall have to fall back upon reduction in the Civil Budget in more directions than have been yet indicated. We must do all we can—Government and ourselves—between now and the passing of the Finance Bill to reduce the deficit by curtailment of expenditure and by allowing more for uncovered deficit and raising less objectionable taxes all totalling about 12 crores. And to make the rest of the demand acceptable, it is not a very large proposition, and unless a compromise like that is possible, I am afraid that the united voice of the House will not be in favour of all the taxation that has been proposed. Last year, the House was put to a severe test and to its credit a proper sense of responsibility prevailed. If this is going to be repeated and if loyal co-operation of the Assembly is not to be inordinately strained, there should be prompt and suitable guarantee for substantial reduction in some of the directions that have been indicated. In the absence of such an understanding and compromise, I am afraid of an *impasse* for which the man on the spot will be as much responsible as recalcitrant Members of the Assembly. In the interest of the Reforms, in which the Government and the Assembly must be alike interested, no early and avoidable crisis should be forced on.

Sardar Bomanji Ardeshir Dalal (Bombay Northern Division : Non-Muhammadan Rural) : Sir, at the outset I wish to dissociate myself very completely from the views expressed by two Honourable Members of this House that we non-officials should not take any responsibility for the Budget. This, in my opinion, is entirely inconsistent with the oath every one of us took to faithfully discharge the duties of our office as a Member of this Legislature. But there is yet a stronger ground why this Honourable House will not adopt this attitude of shirking responsibility. It is said that the present deplorable Budget is due to mistakes made by Government, and, therefore, Government should extricate themselves from the difficulties created by them. Now, Sir, we are all aspiring to Self-Government and our fitness is to be judged by the British Parliament. What better proof of our fitness can we adduce before the British public than if we can, by bringing our heads together, assist Government in getting out of this difficulty?

Sir, I also wish to protest against the taste displayed by my Honourable friend, Mr. Rangachariar, in his reference to the very generous action of His Excellency the Governor General in acceding to the wishes of this Assembly and permitting them to discuss the Military Budget. My Honourable friend said the action of the Governor General was too late. I believe my Honourable friend, as an ardent Member of the Democratic Party, is an advocate of immediate Self-Government. Well, Sir, the art of Self-Government requires foresight, forethought. Why was not my Honourable friend pre-armed to meet a fully expected contingency such as this? I think this House ought

to express its grateful appreciation of the step taken by His Excellency the Governor General.

Coming to the Budget proper, Sir, I do not know to whom to offer my congratulations most, to the Honourable the Finance Member, for manfully facing his task, or to my Honourable friend, Mr. Darcy Lindsay, for his very valuable and helpful contribution to our debate. Following his example, I do not propose to offer any detailed remarks regarding our expenditure. Though much is to be said in favour of the view put forward by Mr. Percival, we cannot disguise the fact that our expenditure has become appalling and it is necessary to apply the pruning knife freely. I trust, in the course of his reply, the Finance Member will be in a position to announce the composition of the Retrenchment Committee and that its composition will be such as to inspire confidence from all of us. In this connection, I wish to observe that, if even at this stage, Government could secure the services of an unbiassed but able man, like Sir Eric Geddes, to guide the deliberations of this Committee, I for one would welcome the expenditure incurred for that purpose as it would be well repaid as also a little delay that will be necessary for the Committee to start work.

Regarding the taxation proposals, I am more in favour of the course suggested by my Honourable friend from Calcutta and am in general agreement with the views expressed by him. The success that the non-co-operation party has achieved hitherto is due to the existence of various adverse economic causes and in my opinion it is a very unwise policy to add to the burden of the poor at the present moment. I, therefore, urge Government to consider the alternative proposals put forward by Mr. Lindsay as also the very valuable suggestion of Mr. Spence regarding the duty on tobacco. It is really regrettable that, at a time of such acute political crisis, the vexed question of the cotton excise duties has been re-opened? Cannot the amount realisable from the extra four per cent. sought to be levied on the local mill industry be recovered by raising the duty on all imported piece-goods from countries other than the United Kingdom to say 20 per cent. That will also prevent Japan from competing with our Indian industry.

I will further support any proposal to raise the postage on newspapers. Hitherto, by far the largest benefit of this concession has been enjoyed by the seditionist press. In any case I consider it is high time the newspapers paid their proper share and the sum to be realised, I understand, will be about 16 lakhs.

My Honourable friend, Mr. Darcy Lindsay, dealt with some items of luxury. May I add one more to it? Are all cinema films articles of luxury? Will you not by raising the duty to 30 per cent. kill this trade altogether? There are cinema films of great educational value and much of the blank films imported could be utilised for taking pictures for propaganda work. What is the machinery provided to exempt this stuff from this additional taxation? But just consider what charges this industry has to bear. The municipalities have raised their taxes. One Provincial Government at least is proceeding with its Amusement Tax Bill and you are raising income-tax; can this industry then bear this extra burden? I think the list of luxuries needs a drastic revision. Mr. Lindsay's suggestion about premium bonds has also my hearty support.

Regarding military expenditure, Sir, I am in entire agreement with my Honourable friend, Colonel Gidney. I for one am against any reduction of the Army this year. Let us first support Government in restoring peace to our country and there will be time enough for us to consider the question of military policy. Even now railway strikes, organised by political agitators, are in full swing. Trade is paralysed and it is our supreme duty to see law and order restored. I for one strongly oppose any idea of a reduced Army until the non-co-operation movement is completely crushed. Regarding the Waziristan operations, from what I have heard from my friends who have been in that area since the Afghan war, I shall content myself with saying that these operations must be allowed to proceed whatever the cost may be. It is not a question of going forward. It is a question of creating an effective blockade against the savage tribes in order to protect our fellow-subjects in that unfortunate part of the country. I see from the newspapers that His Excellency Lord Rawlinson is sending three as a deputation of the press. Honourable Members will, therefore, obtain enough material, which I am sure will convince them that the policy adopted by the military is the only policy that could be pursued. I only wish this deputation visited the area in the month of August to obtain a real idea of what life is like during that month. I do not believe that it is a pleasure to the military to remain there, cut off from all civilisation, constantly on the vigil to repulse raids at that time of the year, particularly when in the malaria ward of the hospital—the coolest spot—at seven in the evening

the temperature is 118 degrees and where sometimes it is difficult to obtain even an ounce of ice. This question, Sir, ought to be decided by the voice of the people who are most affected. What do the people of the Frontier Province say? They want an absolutely firm hand to be given to the military and they oppose any settlement that is arranged by what are known as 'Political Department' people.

I agree entirely with Colonel Gidney that the Army Department ought to employ business people in their Supply and Transport Department. I know a beginning has been made by making over some of the canteens to a Board controlled by a very able business-man from England. I trust, however, that the Commander-in-Chief will see that in this, as in other branches of the Department, he will associate Indians trained in business and thus avail the Department of their valuable experience. In conclusion, Sir, I trust the Assembly will rise equal to the occasion and deal with the Budget in a spirit of moderation like responsible men.

Mr. S. C. Shahani (Sind Jagirdars and Zamindars : Landholders) : Sir, I am an agriculturist and I am engaged in the work of education. To me the Budget is an extremely disappointing one, because it does not minister to the development of the material and moral resources of the country. I am sorry that my voice should have gone husky to-day, but that should not matter. I want in the first instance to point out that the constituent functions of Government have absorbed the attention of the Honourable the Finance Member. He prides himself on saying that no fresh avenues of either productive or unproductive expenditure have been opened up. No doubt, there is a large deficit to be met, but we have got to bear in mind that this deficit will be properly covered only when enough is spent on the growth of the material and moral resources of the nation. Last September at Simla we made a point of moving the Government of India to sanction and provide money for the immediate construction of the Sukkur Barrage. While the Resolution for the immediate construction of the barrage was carried, we were told by the Honourable the Finance Member that the barrage was a provincial affair, and that the Government of India would not give anything for the construction of that mighty scheme. We urged that it was not a provincial matter but a national one, and pointed out that unless enterprises such as the barrage found favour with the Central Government the country will have no means of making its revenue meet its expenditure. But to no avail. I have in my hand a statement of the National Debt of India. I find that on the 31st March, 1914, out of a total debt of 411 crores only 19 crores represented ordinary unproductive debt. The interest on the latter was only a crore, and on the productive debt about 13 crores, so that India's total interest charges then amounted to 14 crores. On the other hand, railways and irrigation works, which had been financed from the productive debt, yielded in that year a return of nearly 23 crores, which left a margin of 9 crores of clear profits to the country, after meeting the interest charges on the entire debt.

Even after the contribution of £100 millions to the cost of the war which India made in 1917, and which added over 30 per cent. to the national debt, the revenue from Railways and Irrigation amounted in the year 1918-19 to 33 crores, so that the revenue from productive expenditure amounted to 133 per cent of the total interest charges. Had it not been for India's contribution of 150 crores to the expenses of the war, the ordinary debt would have been completely wiped out in 1917, and the amount of the ordinary debt outstanding on 31st March, 1919, namely, 129.9 crores, was thus actually less than the amount of that contribution.

In his Budget speech the Honourable the Finance Member has prided himself not only on his not going in for any further productive expenditure but on his exercising the most exacting control over the expenditure on the Administration. Some other Members in the House too have spoken of the economy practised by Government. I have at this moment in my hand a statement showing the proportion of collection charges to total tax revenues in India and England and I find that these tables show that in India the proportion of collection charges to total tax revenue is about 10 per cent., while in England it is between 2½ and 3 per cent. If this is the actual state of things, surely it cannot justly be made out that in India strict economy is being exercised. I will give just one instance to show how things really stand, and that relates to travelling allowances. I shall quote in this connection a small passage from Ramsay Macdonald, M. P., in his book 'The Awakening of India' :

'Every one knows that officers, from school inspectors to chaplains, put large sums of money into their pockets by charging travelling allowances which they never spend. I heard of a church dignitary who was attending a Diocesan Conference at the Government expense and who was to make a profit from his allowance at the end of the meetings. I

heard of a school inspector who insisted upon billeting himself in private houses whilst drawing hotel expenses. And the smiling Babu in the office knows all about it, and when you say to him 'Now tell me about T. A.' he gives a knowing grin. There is not a man in the whole service who does not know about T. A. It is referred to by its initials like a close personal friend.'

I also wrote to a friend of mine asking him to tell me how these travelling allowances were earned in Sind, and I received a letter from him which says :

'The officers so arrange their tours as to earn the largest amount of money as T. A. An officer would travel from Karachi to Sukker and come back; after some time he would go to Larkana and again come back, though he might have visited Larkana on his way back from Sukker, and so on. Ordinarily an officer gets a fixed daily allowance. But if he travels by a conveyance other than the Railway train for 20 miles or so in a day he gets a mileage allowance which means to him more than the fixed daily allowance. He therefore always tries to earn the mileage allowance even though there might be no public necessity for his putting in so much travel. Sometimes he has recourse to even a device like this. He travels 14 miles and encamps at the end of that distance; from there that same day he goes to a village 3 miles distant and comes back, he then claims mileage for he adds the 3 miles backward and forward to the original 14 to make up 20. Recently motor cars have been given to officers. It is doubtful if these have added to their efficiency, though it is clear they have added to their comfort.'

The Honourable the Finance Member estimates the deficit this year at $31\frac{3}{4}$ crores. In suggesting the means for meeting this deficit, he has said that the stabilisation of the rupee at 2s. would relieve our revenues to the extent of about 15 crores a year, but no reliance can be placed on this consummation. I do not know that this involves a correct view of the question of exchange. The question will have to be very carefully considered and stated by the Honourable the Finance Minister himself. The work is not to be left solely to Committees and Commissions. We all know that what the Chamberlain Commission said was in direct contradiction to the recommendations of the Fowler Committee. We also know that the recommendations of the Fowler Committee were never given full effect to. Unless the gold standard is adopted for India, I do not think that India will be able to make the heavy losses that have accrued to her from her policy of currency and exchange. I have some definite proposals to make for the consideration of the House and of the Honourable the Finance Member. Before I do so I shall give you very shortly the history of Currency in India. Before 1835, there existed in British India a bewildering variety of gold and silver coins. In 1835, the East India Company evolved order out of this chaos by establishing a uniform standard rupee of 180 grains with 165 grains of fine silver in it, i. e., $\frac{11}{12}$ fine. This rupee alone was made legal tender and mints were open to coinage of rupees. India thus came to possess monometallic silver standard which lasted till the year 1893 when mints were closed to the coinage of silver. This closing of the mints was necessitated by a continuous fall in the price of silver beginning with 1873 which not only disturbed India's commerce but also made the finances of the Government difficult. The Government of India has to pay every year in London a large sum in the form of interest on the debt, salaries of officials on leave, pensions of retired officers and cost of stores required for State enterprises. As the rupee fell in its gold value, the number of rupees required to satisfy these payments rose. The total reached a pitch which seriously alarmed the Government, which felt that it might be called upon to raise a sum in rupees which would necessitate a considerable increase in taxation, which should be avoided if possible. The Government therefore in their despatch to the Secretary of State, dated June 1892, advocated the closing of the mints to silver and the introduction of the gold standard. The Secretary of State in October 1892 appointed a Committee under the chairmanship of Lord Herschell to examine the whole question. The Committee held its sittings in the India Office and made (a point worthy to be noted) no effort to secure Indian opinion on the question. In its report, it accepted the Government of India's recommendations and made the following proposals :

1. Ultimately gold standard was to be established.
2. Immediately rupee was to be severed from silver by closing mints to the free coinage of silver.
3. Government was to announce that it would give rupees and notes in exchange for gold at 16*d.* a rupee.

The report was accepted both by the Secretary of State and the Government of India and the latter took action under the Coinage Act of 1893 and administrative notifications of the same year. The essence of this reform plan was that by closing mints rupee might be divorced from falling silver and by starving the circulation the exchange of the rupee might be fixed at the 16*d.* level. For some time the rupee continued to fall, reaching the lowest level in January, 1895, 12*½d.* Then it began to rise, till in 1898 it

reached the 16*l.* level and the Government of India thought that the time had come to clinch it there. They wrote to the Secretary of State on the subject once again advocating gold standard and gold currency. The Secretary of State appointed the Fowler Committee to investigate and report. Four plans were submitted to the Committee by various witnesses :

(1) Bimetallism, (2) Silver standard as before, (3) Gold Standard without gold currency or gold exchange standard and (4) Gold standard with gold currency. The Committee rejected the first three and accepted the fourth and recommended as follows :

(1) The exchange value of the rupee should be fixed at 16*l.*

(2) British sovereign and half-sovereign should be made legal tender and current coin in India. (3) Indian mints should be thrown open to the unrestricted coinage of gold. (4) A special gold reserve should be constructed out of the profits of rupee coinage, to be used for maintaining the parity of the rupee at 16*l.*

The Government accepted these recommendations and took action in 1899 : (1) Under the Act of 1899, they declared the British sovereign legal tender side by side with the silver rupee. (2) In 1901, they constituted out of the profits of the rupee coinage the gold reserve fund which was later re-named Gold Standard Reserve. (3) They carried on negotiations with the Royal Mint for establishing gold mints in India. It has to be remembered once again that after four years of correspondence, owing to difficulties raised by the Home Treasury, the matter came to nothing in 1903. (4) Meanwhile in anticipation of the Home Treasury's sanction about the gold mint they had put into circulation gold coins through post offices and treasuries. A large portion of this gold returned to the Treasury.

The non-establishment—let it be remembered, and I draw special attention of the House to this—of mints for gold defeated the intentions of the Fowler Committee and the Government of India. The only thing for the Government now was to maintain exchange at 16*l.* par, which in the Fowler Committee's opinion was only to be a transitional measure. I shall ask the Honourable House to note that thus India drifted into the gold exchange standard. The Government of India, however, was still harbouring their desire for a genuine gold standard with gold currency, as is evidenced by the speech of Sir James Meston during the Budget debate of 1910 :

'The broad lines' says he 'of our action and our objects are clear and unmistakeable and there has been no great or fundamental sacrifice of consistency in progress towards our ideal. Since the Fowler Commission, that progress has been real and unbroken. There is still one great step forward before the ideal can be reached. We have linked India with the gold countries of the world, we have reached a gold exchange standard which we are steadily developing and improving. The next final step is a true gold currency, and that I have every hope will come in time but we cannot force it, but the final step will come in time when the country is ripe for it.'

The Chamberlain Commission, the Royal Commission of 1913, however, condemned this decision, and gave their blessings to the gold exchange standard as the soundest and the most scientific system for a country like India.

During the period 1915 to 1920, the gold exchange standard was put, as we know, to a severe test. To prevent the melting of the rupee, the Government raised the exchange value of the rupee from time to time. I have with me a statement showing how Government fixed it at 16½*l.*, then 17*l.*, then 18*l.*, then 20*l.*, then 22*l.*, then 24*l.*, then 26*l.*, and then 28*l.* In February, 1920, the price of silver rose to 85*l.*, when the exchange value of the rupee was raised to 35*l.* This frequent raising

Mr. N. M. Joshi : In view of the fact, Sir, that there are many people who still want to speak

Mr. President : Order, order. Mr. Shahani.

Mr. S. C. Shahani : This frequent raising of the exchange destroyed the stability of exchange which the gold exchange standard was intended to provide. The gold exchange standard thus broke down. In December, 1919, the Babington Smith Committee recommended the linking of the rupee to gold at 11·30016 grains of fine gold. The Government accepted this recommendation and made Herculean efforts to maintain the rupee at this rate till the end of June, 1920, when they tried to maintain it at 2 shillings sterling. They however failed completely although they had sold during the 8 months from February to September, 1920, Reverse Councils to the extent of 53 million pounds. This failure was the result of the influence of the silver market on the rupee a fact of which I am sorry to say the Honourable the Finance Member has taken no notice in his last year's or this year's Budget speech. While the Government were making frantic efforts to pull up the rupee to *two shillings*

gold or sterling, the silver market was falling and pulling the rupee downwards with it. In this tug-of-war the market triumphed, as it must, and I have a table to show it, which however I need not read out.

After July, 1920, the price of silver and with it the exchange of the rupee continued to fall.

What is the lesson then? The lesson of this currency experience gained during this period, 1915 to 1920, is that although an effort was made by the closing of the mints in 1893 to divorce the rupee from silver, the divorce is not complete. The inherent defect of the gold exchange standard thus appears to be that it does not make us independent of silver. We closed the mints in order to avoid the serious trouble of the period of 1878 to 1893 caused by the fluctuating of exchange due to changes in silver price and we have experienced similar if not worse troubles in a concentrated form in a short period, 1915 to 1920. It is obvious, therefore, that the gold exchange standard can give us no permanent protection. This standard involves the exchange of silver and gold and therefore cannot possibly make us independent of silver. Only the true gold standard with gold currency (with notes based on gold, and the rupee a token coin) will give us that independence. Professor Keynes argues that gold in circulation is wasteful and even in England which is supposed to have gold circulation, it is the cheque and not the gold that circulates in practice. But this argument does not apply here as a cheque to a man in the mufassil is a bit of paper with no intrinsic value, while the silver rupee has a substantial intrinsic value which is liable to change with the changing silver price in the market.

I will now state my proposals in the existing circumstances. I propose:

1. That a definite announcement of policy must be made in favour of gold standard and gold currency and all efforts must be directed towards the achievement of that end.

2. Our gold reserves having been dissipated in 1920, gold exchange standard may be continued for some time and gold allowed to accumulate again. The rate of exchange for the rupee may be fixed again at 16½., for the cause (rise in the price of silver) that produced the disturbance (1915—1919) and led to the Government's fixing the exchange at two shillings has cancelled itself.

For the support of exchange it is not necessary to keep in London the entire gold standard reserve, a portion of the paper currency reserve and India's surplus balances. It is a genuine grievance of India that while her market badly wants assistance in the shape of loans in the busy season, it cannot get that assistance, while India's moneys (reserves and balances) are freely used to give loans to the London money market. It is found that India experiences an adverse balance at the most once in ten years. To keep India's surplus resources in a foreign centre to meet an occasional emergency is unjustifiable. The paper currency reserve, whose object is to ensure the convertibility of notes in India, must necessarily be located in India. A small amount of gold sufficient to pay for Reverse Councils for a fortnight or three weeks may be kept in London. The rest of the funds should be kept here in India and shipped to England in quantities required to meet the adverse balance when it arises. These funds in India would then be available for helping the Indian market.

3. In the meantime a gold mint may be opened to the coinage of gold by the public.

4. When gold accumulations are sufficiently large again, rupees may be declared tokens and our paper currency may be made convertible in gold.

5. Strenuous efforts should be made to develop banking so as to destroy the hoarding habit. Bank branches in Taluka headquarters will prove very useful.

So much about the question of exchange. I would now advert to the Military expenditure which has been eating up to a much larger extent the revenues of India. I feel that even if the Finance Member's demand for additional taxation were granted to the fullest extent, the revenue that is expected to accrue therefrom will not accrue, and for two reasons. Firstly, there is a limit to taxation. I think India is already being taxed beyond the limit of elasticity. Secondly, almost all the taxes of the Government of India are commercial. The other taxes, taxes, for instance, like land revenue or excise, or stamps, have been transferred to the provinces.

Does not the collection of commercial taxes depend upon the good-will of the peoples? Surely it does. I was not a little surprised to see His Excellency the Commander-in-Chief making an announcement to the effect that owing to unrest in the country for a long time to come no reduction in

military expenditure is to be looked for. I have some definite considerations to urge in this connection on the attention of the House, but before I do so I will just refer to one matter. His Excellency the Commander-in-Chief has just said that the War Office in London does not in any way dominate the military counsels of India. That may be true, but then I would like to inquire why, for instance, the recommendations of the Military Requirements Committee have, according to his own showing, been submitted to the Imperial Defence Committee, and we have no information as to what is going to happen. I now revert to the military expenditure. The colossal figures of our army estimates will be a disgrace to any self-respecting community. As I said, on account of the military expenditure the ministrant functions of the State are being neglected. Education, sanitation, irrigation, industries and agriculture are being starved. Military expenditure in India is admittedly abnormally heavy. In 1921-22, 33½ per cent. of the total expenditure, Imperial and Provincial, was accounted for by the military. If we take only the Imperial expenditure, the military item amounts to no less than 52 per cent. of the total 60 out of 127 crores. The ratio of military expenditure to total expenditure in other countries is very much lower. In 1900, in England it was 19 per cent., in France it was 19 per cent., in Japan it was 16 per cent., in Russia it was 21 per cent. and in India 33 per cent. Why should it be so heavy in India? The official justification rests upon the paramount necessity of external defence and internal order. As regards internal order the official justification involves a serious confession, for when a Government requires large military forces to maintain internal order it must be hopelessly out of tune with public opinion and requires to be radically altered. As regards external defence, the fears of foreign aggression are greatly exaggerated. And if the Government of India is suspicious of neighbouring States, those neighbouring States themselves may well entertain suspicions, for the Government of India has been steadily extending its borders.

In any event, firstly, the burden of defence, however heavy, must fall upon the young men of the land rather than be entrusted to an army which approximates closely to a mercenary army. This description applies not only to the British troops employed by the Indian Government but also to native Indian troops, for these latter are recruited exclusively from special areas and special races, and the tradition in the Indian army is not one of defence of the homeland but one of obeying orders, so long as the troops are paid their salaries. The mass of the population, far from cultivating a healthy habit of self-defence, has been subjected to a growing policy of disarming, since the events of 1857; and the result has been a process of demartialization of one-fifth of the human race on a scale unparalleled in recorded history. In most countries, including Great Britain, Japan, France, Germany and the United States of America, young men are either encouraged or compelled to have a small period of military training, and only small standing armies are kept, and as occasion requires large armies are easily raised because there are large numbers of men available who have had military training.

In India, as Mr. H. G. Wells has put it, 'peace has been turned into paralysis.'

Secondly, the system on which India's army is organized is a most wasteful one. Practically the whole of our army is standing force ready for war. Other countries have discarded this system and keep a small standing force and a very large number of men in the reserves. Since a man in the reserves costs so much less than a man in the standing army, these countries have found it possible to maintain a much larger combined standing and reserve force at much less than the proportionate cost. I have a list to show it.

	Standing Army.	Reserve.	Military expenditure. Average annual cost.
The United Kingdom .	129,000	480,000	28 Million Pounds, or 42 crores.
France	677,000	29,52,000	28 Million Pounds.

(A Voice: 'In what year?') I have not noted the year. It must relate to the pre-war period. I have not got the post-war figure, and therefore I am not able to present comparative statements. I would request the Honourable the Finance Member to complete the comparative figures. (Laughter.) Sir, you may laugh, but you have to remember that only 4 days are allowed for the general consideration of the Budget (A Voice: 'Only

two days', and who can prepare himself adequately in that short time? We have not got Secretaries as the Government Members have. One of my friend went over for certain figures, and he was told that the figures were not available. I do not bring my library here. I could not therefore be expected to give in every particular up to date information. If my information is deemed defective in any particular, figures may be produced to show what of the material which I have placed before the House for consideration is inaccurate.

Thirdly, there are large numbers of British soldiers in the Army who draw high salaries and who are constantly transferred with the result that we have to pay large transport charges. They receive high wages, their barracks cost more; and some of them are stationed in the hills during summer and their travelling expenses inside India and to and from India are enormous. The result of this arrangement is that British soldiers get their training at our expense and when they leave our shores they carry away their experience with themselves. Sir George White, a former Commander-in-Chief in India, once said :

'We maintain that the Indian army does supply a great addition of military power to England, that a part of the British army is trained at the expense of India, and that the whole of the men passed into the reserve have been maintained out of the Revenues of India.'

The British soldiers serving in India are a part of the Army of England. Their remuneration is therefore fixed by England, we having simply to pay it. The English military service is very costly compared to the service in France, German Empire and Japan. England being rich may not mind this heavy cost, but India is a poor country and it is most unfair that she should be made to pay for a scale of remuneration which suits rich England but has absolutely no relation to India's own means.

Fourthly, India's army is intended not only for India's defence but also for safeguarding the interests of the Empire in Asia. Sir Edmond Ellis, Military Member of the Viceroy's Council in the days of Lord Curzon, said :

'It is I think undoubted that the Indian Army in future must be a main factor in maintaining the balance of power in Asia. It is impossible to regard it any longer as a local militia for purely local defence and maintaining order.'

The Esher Committee has gone even further than this and says that :

'The Indian Army can no longer be regarded as a local force whose sphere of activity is limited to India and the surrounding frontier territories. It must rather be treated as part of an Imperial Army ready to serve in any part of the world.'

This extended function, I believe, is extremely undesirable, since India has no interest in foreign exploitation, since the Indian soldiers if they remained in India would be occupied in productive work, and since India, without being really the enemy of countries like Egypt and Mesopotamia incurs their ill will. I say, in view of this extended function of the Indian Army, it is at any rate fair that England and the Empire should bear a proportion of the military burden of India.

Mr. J. Ramsay Macdonald, M.P., in his book, 'The Government of India,' has said :

'A large part of the army in India—certainly one-half is an Imperial army which England requires for other than purely Indian purposes, and its cost, therefore, should be met from Imperial and not Indian funds. When England stationed troops in other parts of the Empire, England did not charge them upon the Colonies, but in India England has the influence of the dead hand. When the Company ruled it hired troops from Great Britain, and not only maintained them when in India, but paid the cost of their transport. When the Company surrendered to the Crown, the habit of 'lending' troops was kept up, as a fiction convenient to the Treasury of Great Britain. Owing to the report of the Financial Commission in 1900, the Home Government now pays £130,000 per annum (or 19½ lakhs), which is supposed to be about one-half of the cost of transport, and £100,000 (i.e., 15 lakhs) is charged to Home Treasury for half the military cost of India. That is all. India pays the rest. Thus India is treated as an independent State, which however, England rules, and whose military policy England controls, while India 'borrows' from England a certain number of troops for which it pays. The arrangement is most unsatisfactory.'

In another book of his, 'Awakening of India', he says :

'There is also the old grievance about the cost of the army. In 1885, a change took place in our frontier policy and in that year Lord Ripon left. Then began the epoch of bombastic Imperialism at the expense of India. The Finance Member of that day objected, but military expenditure was increased at a bound by sixteen lakhs of rupees per annum. The cost of annexing Upper Burma was similarly placed on Indian shoulders, and no justification ever has or even can be, offered for it. It is unspeakably mean of England to place this burden on the Indian's back simply because he must bear any load the Englishman puts upon him. Nine-tenths of the charge of the army in India is an Imperial charge. Canada, South Africa and Australia should bear it as much as India. It is a piece of the most bitter cynicism to find the Imperial doors of the British colonies shut in the faces of these poor Indian people, who bear such an inordinate share of the cost of Imperial maintenance, and at whose expense these Dominions are protected from the fear of war. If £18,000,000 (i.e., 27 crores) of the Army charges were met by the whole Empire, England might look the Indian taxpayer in the face as an honest nation. At present England cannot do so.'

It has to be admitted that England's policy towards India in the matter of military and war expenditure has been most unfair. Surely here the agency at work is man's and not God's, as the Honourable the Finance Member would seek to make out. Frontier wars and wars of annexation, like the Burmese Wars, as well as the Abyssinian Expedition, were all paid for by the Indian tax-payer. Only £5,000,000 of the £21,000,000, which the Afghan War cost, was found by the Imperial Exchequer. These expeditions are in reality events in Imperial policy and should not be an Indian charge at all. England, as has been pointed out by Mr. Gokhale, has in the past borrowed troops from India for expeditions undertaken from considerations of Imperial policy, such as the expedition to China and Persia, the Abyssinian Expedition, and others and on all these occasions all the ordinary expenses of these troops have been taken from India, England defraying their extraordinary expenses only. On the other hand, when India has had to borrow troops from England, as on the occasions of the Sind Campaign of 1843, the Punjab Campaign of 1849, and the Mutiny of 1857, every farthing of the expenses of these men, ordinary and extraordinary, including even the expenditure on their recruitment, has been recovered from India.

All these causes can easily be traced to the basic cause, *viz.*, the unnatural relation between England and India. India is a dependency and unlike the Dominions cannot compel England to treat her fairly. And England in her anxiety to keep her hold tight on this dependency has emasculated the people by depriving them of their arms and insists on keeping in India a large military force.

Reduction of military expenditure is an absolute necessity as much from the point of view of stability of Indian Finance as from that of the welfare of the people. It is obvious that unless the Government curtail military expenditure, they would be faced with bankruptcy, for the untapped margin of India's taxable capacity is extremely small. To the people the existing heavy military expenditure means practically defective sanitation and defective education, defective industry, defective irrigation and defective agriculture, which is a standing disgrace to this country and Government.

I would suggest the following reforms, which will relieve India of the crushing weight of her military burden :

- (1) England should bear a portion of the burden, because the Indian army is intended to safeguard Imperial interests in Asia, as shown above in the extract from Sir Edmond Ellis' speech.
- (2) The Arms Act should be repealed and a territorial army should be organised from among the citizens of India not so gradually as has been indicated to us by His Excellency the Commander-in-Chief, but with necessary expedition.
- (3) The reserve system as it exists in other civilised countries should be adopted in India.
- (4) British soldiers should be replaced by Indian soldiers.

There would be no loss in efficiency for during the War Indian soldiers gave a very good account of themselves and proved themselves to be the equals of their European comrades. It is often said that the British soldier is necessary to keep the North-West Frontier safe, but the Sikh Government of the Punjab in pre-British days did keep the North-West Frontier quite safe. It might also be said that the non-co-operators were seducing the Indian soldier; but if the appeal of the non-co-operators succeeded, the whole of the Army would have to be British, which would be financially impossible. The only way to deal with the non-co-operation movement is to redress the grievances on the existence of which it fosters itself. The piling of army upon army would not be of any avail.

Now I come to the new taxation proposed. (Laughter.) Sir, I will take only two minutes more. I endorse what has been said against the excise on piece-goods and the import duty on machinery. I would suggest the imposition of an import duty on silver and to state my grounds for it. I think that the duty will not affect currency and reserve. It will, however, bring in some revenue, the amount of which depends upon the total imports of silver. The Honourable the Finance Member can ascertain the figures of imports of silver and then see what duty will bring in a substantial revenue. Some figures were given by Sir Montagu Webb, who told us that 10 crores of tolas were imported during the last 11 months, and he also stated that a lot of silver is on its way to India. But yet the exact figures might be ascertained. The cost of collection would be practically nil as the existing customs staff

could do the collection. Bullion dealers might object to this duty on the ground that it will discourage the use of silver ornaments on the part of the poor in whose case, in the absence of organised banking, ornaments represent the only form of thrift. But I do not think it will be so. The higher value of silver will make silver ornaments more attractive.

As for the salt tax, this duty, I find, varied in different parts of India before 1882. In 1882, it was made uniform at Rs. 2 per maund. In 1907, it was reduced to Re. 1. In 1906, it was raised to Rs. 1½. In 1902, with duty at Rs. 2 per maund, the revenue was 5.6 million pounds or about 75 lakhs. In 1919-20, with the duty at Rs. 1½ per maund, the revenue was not half of 5.6—that is to say, 2.8 million pounds, but more, namely, 3.9 million pounds. This shows that the reduction in the duty led to largely increased consumption. I have not had time to get the Leprosy Commission Report, but I find the following remark in the Indian Year Book for 1921 :

‘The number of lepers has fallen since 1891 from 126 to 109 thousand, a drop of more than 13 per cent. This reduction coincides with the reduction in the salt duty and consequent increased consumption’.

Passing the Land Revenue for the moment, three things strike one in this statement of revenue—the salt tax, the income-tax and the customs. The salt tax has long been regarded as a blemish on our Indian fiscal system. It is light (when it was lowest, from 1907, it stood at 1 rupee per 87½ lb. and meant a tax of about 3½% per head per annum), but still it is no mean proportion of the income of Indian families. The Honourable the Finance Member has said that when the duty is raised to Rs. 2-8, then the incidence per head will come to As. 3½, which would not appear to be correct. The incidence then will come to about As. 7 per head. ‘Though salt taxation’ was known in India before, its present history dates from the imposition of Clive and Warren Hastings when the Company was hard up. It has been retained on the ground that it is well that every Indian should feel the cost of Government. As a matter of fact, he feels nothing of the kind; he just knows that the price of his salt is high, though salt is a necessity. But supposing there was something in this notion of making everybody feel the cost of administration, it would only apply to a self-governing people who may rightly be taught the financial consequences of political acts. It requires a highly trained intelligence to decide what are the consequences of political policy and what are not, what consequences are worth bearing and what are not and so on through many other processes of accurate reasoning. We know in this country what an appeal for reduced rates and taxes generally amounts to. It is as a rule an appeal to personal selfishness and short-sightedness against a wise social policy. If the cost of Government were to be made a safeguard against folly, nations would be undone, because bills come after the events and people show less forethought in reckoning up the cost of great follies than in demanding an estimated cost of cold wisdom.

In India where the Government is a bureaucracy, even this theoretical justification for the salt tax does not exist. If the Indian salt consumer had all the wisdom necessary to come to sound conclusion upon the cost of this Government, he has no power to alter it by one farthing. The salt tax is exaction and oppression; and if the people understood it, it would breed discontent. It is a survival of the general exploitation of India’s poverty by a profit-making company. The argument for its retention illustrates the error so prevalent in India, of assuming that the political wisdom of a western self-governing State is also political wisdom in an autocratically or bureaucratically governed one, and that a bureaucracy has the same right to impose burdens on a people that a representative legislature has. The payers of the salt tax have no more to say in Indian policy than the man in the moon, and price of their salt has no more influence on the bureaucracy than the cost of their weddings.

Sir, I have given expression to my opinion in some detail. I have only one remark to make and that is this. The Honourable the Finance Member finds fault with Providence for all the ills that India is suffering—

‘Ah world as God has made it! All is Beauty,

Knowing this is love, and Love is Duty.’

I trust that he will revolve these two lines of Robert Browning and not feel inclined to discard financial ethics.

Mr. Denys Bray (Foreign Secretary) : Sir, when this debate began, I started sedulously to take notes of any remarks that fell from Member after Member touching on the frontier problem. But I have decided to discard those notes. I feel that the frontier problem, the security of India, is a subject too serious for debating points, and I propose very briefly and in a spirit not at all controversial, to endeavour to give a very broad survey of it. I will not ask you to travel round all our immense frontiers. The sea, the

most vulnerable frontier of all, the British Navy enables us to forget—and so, surely, does the Budget.

The land frontier of India presents a problem which is not of to-day or yesterday, but a problem as old as the frontier hills themselves. Not until a great cataclysm of nature makes those mountains to subside and the ocean to roll where those mountains rear themselves, can India ever be free from her great land frontier problem. Indeed, when I look round this House, this microcosm of the representatives of some at any rate—of the dominant races of India, I am almost tempted to regard it as a retrospect in miniature of our frontier problem. For in the blood of how many of you does not flow the blood of ancestors who once found their way, forced their way from the heights of Central Asia to the plains of India? And this indeed brings home, I think, the essential fact that viewed in its broadest aspects, the land frontier problem of India is a constant struggle with the forces of nature, a struggle against that law of gravity which drives whole peoples from the hills into the plains.

Descending from the general to the particular, I must still speak in generalities, for it is a dangerous thing to particularise when one comes to foreign States. But I can say this; the horizon for the moment is clear. Treaties or agreements or understandings we have with all the States on our borders. Now, the making of treaties or agreements or understandings with foreign Powers, the maintaining of treaties or agreements or understandings with foreign Powers is the very fibre of the work of a Foreign Department. I should be the last, therefore, to belittle the value of treaties or agreements or understandings. But work in the Foreign Department cannot fail to impress upon one also that agreements or treaties or understandings are not sufficient in themselves. It reminds us of the essential fluidity and change in international relations. You will remember that, on that fateful 14th of August, 1914, Great Britain had treaties or agreements or understandings with every Power in the world. You will remember that one of the greatest Powers, one of the most civilized Powers, in the world then announced to the world that a treaty was a mere scrap of paper after all. And turning to our own frontiers, we were taught the same lesson of change. During the war we had on our frontiers a most trusted ally, an ally who was most faithful to his trust. Within a few months of the close of the war, the assassin's bullet removed our ally. Our treaty was torn up, and we had to face an unprovoked invasion of India. Or take again Russia. We have heard in the debate that the Russian bogey is no more, I would just say this in passing. You cannot get rid of a menace by the mere process of calling it a bogey. Why! I remember well that in my own country in the months just preceding that fateful month of August 1914, we heard much of the German bogey. Now in 1907, there did come a great change in our relations with Russia. The Russian menace then took on a different form, for we concluded with Russia a very far-reaching agreement, an agreement based on certain very substantial sanctions. But that agreement has been torn up. Yet I am told that the Russian bogey is no more. But is it? Russia at the present moment is setting up a ferment in the Muslim States of Central Asia, Bokhara, Khiva and the rest, and who is to say where that ferment will end.

And now I will turn to the more parochial part of the frontier problem—that part of the problem which is at present uppermost in our minds, and which is leaving a very gloomy mark on the Budget. I shall endeavour to be brief, and, therefore, I must still employ generalities. But as a preface, I would just remind the House of this. You have a vast land frontier; I believe it is something like 5,000 miles long. Yet we are only discussing a few hundred miles of that frontier, and we can take credit to ourselves and India can thank her good fortune that along the great stretch of this vast land frontier of hers, our attention is actually at the present moment confined to one small portion only. On that portion the position in brief is this, and I shall have to sacrifice some accuracy in order to be brief. We have first a narrow strip of British districts. As I said a few days ago, I say again, these districts are as British as the district in which we are now sitting. Then we have a block of inhospitable mountainous country, peopled by tribesmen, brave, truculent and untamed, lying between our districts and the neighbouring power of Afghanistan. And in this fact really lies one essential reason why the frontier problem is so inherently difficult. There are these three elements—a narrow strip of British territory, a block of mountainous country and then the Afghan frontier. If only we could take one of these elements and transplant it elsewhere our frontier problem would not be the serious problem it must always remain. These three tracts are populated by peoples akin by race and religion. The peoples in that mountainous block of unadministered territory are, I suppose, amongst the most manly in the world. They are certainly amongst the most

truculent, and I venture to think that even my friends from Malabar will agree that they are not the least fanatic, for a flame set up there spreads like wild fire. And this block forms an Alsatia for our malcontents. A murder is committed in British territory and the murderer has crossed the frontier before the murder is reported. He finds a ready asylum there, for the law of hospitality is the only law of God and man these tribesmen do not break. But the outlaw is not allowed to live a life of ease. Ere long he has to pay his way. And what means of livelihood has he? Only one. Presently he will return home—at the head of a raiding gang.

For the frontier problem, Sir, is essentially economic. If those frontier hills fed more and bred less, we should not be discussing this question to-day. As it is, raiding is the hereditary occupation of the border highlander. Eleven years ago, I conducted the census in Baluchistan and, when I went to the Mari Baluch country, I found my enumerator, a Mari Baluch himself, recording his tribesmen wholesale as having 'raiding' as their principal occupation, and it was with the greatest difficulty in the world that I got him to admit that the Mari Baluch has now turned from raiding to other occupations and has ceased to be the scourge of Sind, thanks to the genius of that great frontier administrator, Sandeman. Now our frontier problem has, of course, been greatly intensified by the Great War, and, in addition, by the Afghan War and their aftermaths. One result of the Great War is that there are vast stocks of surplus arms in the world only awaiting the unscrupulous exporter to pass on into unauthorised hands. Hundreds of these have passed through other paths than India to our tribesmen on the frontier. Moreover, the tribal armament has been increased by gains in tribal warfare, increased, alas, by desertions from our own militia during the Afghan War, increased also by the looting of a portion of the Afghan Army, and is increasing always by thefts for our frontier tribesman is the most expert rifle thief in the world, the Bedouin Arab not excepted and, lastly, and this, to my mind, is the most disquieting feature of all, their mechanics are turning out a very respectable small bore rifle themselves. This has increased the frontier problem beyond all exaggeration. And what is our proper counter-move? Arm our villagers, say you at any rate, so say I. But mark the vicious circle in which we are at once whirled. The better arming of our villagers drives the frontier tribesmen into different tactics. In the old days, he used to raid in gangs of a dozen or 20. Now, he seeks security in raiding in gangs of 150, 200, or even 500; and he goes further afield and he seeks richer prey. And there is another vicious circle which this arming of the villagers unfortunately brings us into. With our hot-blooded Pathans, our hot-blooded fellow subjects of the North-West Frontier, an increase of rifles is in direct ratio to an increase in crimes of violence, and, I am afraid, so it must always remain so long as he remains, as I am afraid he is likely long to remain, a slave to the blood-feud.

Now as a result of the disquieting influences of the great war and of the Afghan war, two great tribal branches on the Frontier got entirely out of hand, the Afridis, and Mahsud and Wazir tribes of Waziristan. Raid after raid was committed upon our most luckless fellow subjects in the districts of the North-West Frontier Province and in Zhob. At one time it seemed to us as if a campaign against the Afridis was inevitable in order to regain some sort of security for our fellow subjects. But by patient and most skilful handling, clan after clan of the Afridis came to heel and made their submission; and Sir John Maffey, now one of our greatest Afridi experts, has just announced that the settlement with the Afridis, including even the most truculent and inaccessible Zakka Khels, is complete. A very fine political performance. Yet we had advantages in dealing with the Afridis that we have not got in dealing with the Mahsuds. I suppose of all our frontier tribesmen the Afridi stands highest in intelligence and, if the word is not inappropriate, in civilisation. He is, more than any other, dependent for his livelihood on British territory. He has also a tribal organisation sufficiently effective to make his tribe comparatively easy to deal with as a whole. And lastly, in our occupation of the Khyber we have a means of bringing great pressure to bear on him, for, although strategically the Khyber high way does not strike at the heart of the Afridi country, politically it does. Unfortunately, when we turn to Waziristan we have not these advantages. The Mahsud is no less brave, but, of all our tribes, he is the most barbaric. He has no tribal organisation worthy of the name at all. He has no tribal hierarchy with whom we can deal and through whom we can exercise control. That is one of the many difficulties before us, but a difficulty which, with patient and skilful handling, we hope in time to overcome. Now the Afghan War, as I said, left the Mahsuds and the Wazirs entirely out of hand. If by being out of hand I meant no more than that they defied Government, that

would have been a small matter. But go to the Frontier and ask our fellow subjects there what it means when the tribesmen of Waziristan are out of hand. I feel that I require the eloquence of Mr Nair, whose description the other day of the sufferings in Malabar affected us all—it would require his eloquence to bring home to you what it means. One Member the other day asked where and what is this Waziristan that it should so figure in our Budget? Again I say, let him go to frontier and ask again. For perhaps no one who has not been on the frontier, and who has not come in contact with people suffering, as ours have done, from the incessant raids of these barbaric tribes can realize to the full why we were forced into this expedition. One point I want to make quite clear. We have been forced into Waziristan not by a policy of military aggression, not by any dream of a forward policy, not by any illusion of military expansion, and not by a magic of oil or minerals to be found there. We have been driven there by one thing only, and that is the impelling necessity to ensure reasonable security for our fellow-subjects whose lives and property and honour were being placed in cruel jeopardy. (Hear, hear.) So little is this a military adventure, that I ask Members to go up to Waziristan and ask the soldier and the sepoy what they think (*Mr. A. M. Samarth*: 'The British officer also'), and the British officer too. Nothing would please them more than to be told that their duty in Waziristan was over. They are suffering inconceivable hardships, without any of the ordinary glamour of war. Guerilla warfare, such as is being waged in Waziristan, is not the warfare that our soldiers and sepoys prefer. Our policy has been dictated, I repeat, wholly and solely, by the impelling need of giving our sorely-stricken fellow-subjects on the frontier some relief from their intolerable burden. An extra burden on our fellow-subjects of the frontier there will always be, and I would ask the House to remember it. Our fellow-subjects on the frontier are shouldering, and will continue to shoulder, a great burden for India as a whole. The frontier is policing India, is enabling our merchants in Bombay and Calcutta and Madras to carry on their avocations. Yes, there will always be an extra burden on our fellow-subjects on the frontier. But there is a pitch beyond which that burden is intolerable, and that pitch has been reached. In this aspect of the Budget, Sir, I stand out for the tax-payer,—the tax-payer of the North-West Frontier Province. (Applause.)

Mr. F. McCarthy (Burma: European): Sir, I propose that further speeches be limited to 10 minutes. That would not, of course, include the official speakers.

Mr. President: The question is that, with the exception of the speeches of the Honourable the Finance Member and of the Army Secretary, speeches for the rest of the debate be limited to ten minutes.

The motion was adopted.

Munshi Iswar Saran (Cities of the United Provinces: Non-Muham-madan Urban): Sir, if I may say so, I whole-heartedly agree with His Excellency the Commander-in-Chief that this is an occasion when there ought to be plain talk and we should use straight language.

At a time when you have discontent throughout the country and you have a Budget which has been characterised by different people in different language, it really behoves us to speak out our minds freely and fully. At a time when, according to Mr. Bray, the horizon is clear and we have treaties, agreements, and understandings with foreign Powers, it is surprising that our military expenditure has not gone down. But, be that as it may, I submit, with all the respect that is due to His Excellency the Commander-in-Chief's lofty position and distinguished achievements on the field of battle, that his speech to-day has not only been disappointing but positively hope-killing. Instead of giving us any hope of reduction in years to come, he has told us that many things have had to be postponed for 12 months. Are we to take that as an indication of the Budget which will be placed before the House by the Government of India next year? Are we to understand from that that our expenditure next year will be larger than what it is even now because many things that have been postponed will be taken up then? As regards one particular matter, I must say that I, at any rate, was deeply disappointed by what His Excellency the Commander-in-Chief said. Last year, in reference to a speech made by Colonel Gidney in regard to a guarantee for the reduction of military expenditure, he was pleased to observe:

'I am unable to give him this guarantee unless he assures me that the North-West Frontier problem will not break out again and force on us further warlike operations. If our agreement with Afghanistan is satisfactory',

I beg the House to mark these words :

'If our agreement with Afghanistan is satisfactory, if the treaty of Sevres is revised on lines satisfactory to us and to the Turks, if the Bolshevik menace disappears and the internal situation in India quiets down, and if the non-co-operation agitator ceases to lead astray the ignorant and gullible masses then I shall not be only prepared for but will welcome reductions in our military strength and expenditure.'

Mr. R. A. Spence : What about the 'ifs'?

Munshi Iswar Saran : The real 'if' is 'if' you will allow me to go on. I submit, Sir, that in view of that statement made last year, no one would have been accused of having entertained extravagant hopes that, with the conclusion of the treaty with Kabul, there would be some reduction effected in our expenditure. But this year His Excellency is pleased to observe : 'Why, the ink is not dry ; the treaty is so recent and still you want a reduction.' Might I ask, with all respect, which I repeat is due to His Excellency, how long are we to wait for any reduction ? When will this ink be dry ?

Then, Sir, as regards the Indianisation of the Army, I submit with great respect that on this point His Excellency's speech has been most disappointing. What His Excellency says is this : 'Even in England an officer takes 15 or 20 years to be trained. As an experiment, mark you, as an experiment, in regard to certain units, we are going to try this scheme and several generations will pass before you can hope for a complete Indianisation of the Army.' This, Sir, may or may not be sound from the military point of view, but I wish to state from my place in this Assembly that this will not satisfy the country. (Hear, hear.) The country in its present mood will not wait for several generations before it acquires the right, the capacity, to defend itself. It was, I suppose, Froude who said that the fitness of a nation for Self-Government depends on its capacity to defend its country. It was the same principle that was laid down by the Honourable Sir William Vincent when Mr. Mazumdar brought forward his Resolution. He said 'If I were an Indian, I would urge the formation of Indian armies with Indian officers'. I repeat that demand and I say this in the presence of His Excellency that, if anybody imagines that the Indianisation of the military services in several generations will satisfy the aspiration of my countrymen, I am afraid he is sadly and grievously mistaken. Might I, though a layman, Sir, ask, why should this be regarded as an experiment ? Have not our soldiers given a proof of their valour and their capacity on battle-fields ? Sir, testimony has been borne to their capacity and to their fighting qualities by people in very responsible positions. Why then call it an experiment ? Might I not in passing remind this House that during the war it did not take 15 or 20 years to make an officer. The answer, the obvious answer, is that it was a special occasion and there was an emergency. Then I say that there is emergency now, when the country is being impoverished and is no longer able to bear this heavy burden of military expenditure. Then, Sir, as far as His Excellency's speech is concerned, there was nothing said, or at any rate no assurance given, about the reduction of the British element in this country. May I, with your permission, cite a few facts to show how this expenditure has been rising ? In 1913-14, there was the Commander-in-Chief and the Personal Staff and the expenditure was Rs. 3,10,310. In 1922-23, the expenditure is Rs. 3,21,560. In addition to that we now have a Military Secretary's Branch in 1922-23 and the expenditure is Rs. 3,46,300. In 1913-14, the General Staff Branch had 34 officers. In 1922-23, it has got 45 officers. The expenditure, in 1913-14, was Rs. 8,87,410. In 1922-23, the expenditure is Rs. 15,17,330. In 1913-14, the Adjutant-General's Branch, combined with the Medical Branch, had 17 officers, and in 1922-23, we have 30 officers. In 1913-14, the expenditure was Rs. 6,22,830. In 1922-23, the expenditure is Rs. 14,23,820. In 1913-14, the Quartermaster-General's Branch had 14 officers and in 1922-23, it has 50 officers. The expense in 1913-14 was 5 lakhs

Mr. President : Order, order. The Honourable Member's time is exhausted.

Mr. Muhammad Yamin Khan (Meerut Division : Muhammadan Rural) : Sir, one cannot help admiring the Honourable the Finance Member for his ability and cleverness in introducing the Budget, and in making a very good case for a practically insolvent and bankrupt Government. We, zamindars, are well acquainted with the Court of Wards Act. We have been hearing that, if a zamindar cannot manage his property, on account of bad management, his estate was taken over by the District Officer under the management of the Court of Wards. Here, if we compare the Government of India with a zamindar who cannot manage his estate properly, not on account of minority but on account of bad management, I do not see what

can be suggested in this case. Surely, if the rules and the law applicable to the zamindars is applicable to the Government of India, then it is high time that the management of the estate should be taken over under the Court of Wards.

Now, Sir, there has been a lot of justification made by the Honourable the Finance Member for his increase of expenditure on the military side of the Budget, which comes to about three crores of rupees; but there has been an increase of expenditure of fourteen crores over the Budget altogether and no justification has been made for about eleven crores of rupees.

I could go on and repeat the things which have been so well said by most of the Members here; but I would draw the attention of the House to specific points. The Honourable the Finance Member has said in his speech that by raising the *ad valorem* duty from 11 to 15 per cent, generally, and by increasing the excise duty from 3½ to 7 per cent., he will have a total increment in the revenue of five crores and forty-five lakhs of rupees; but he has not mentioned what income he will derive separately from the excise duty. I think he would have done much better if he had proposed a general increase from 11 to 20 per cent., instead of 15 per cent., and leave the excise duty alone. That would have been a much better solution, and he would have met less opposition in the House. Of course, I endorse all the statements about the machinery, and there would be no one who has got in his heart the development of the industries of the country who would ever vote for an increase on machinery from 2½ to 10 per cent.

There is, Sir, another item, viz., sugar, and the Honourable the Finance Member says that, by increasing the duty from 15 to 25 per cent., he will have an extra income of two crores of rupees. I myself fail to see how he works out these figures.

By referring to the figures which have appeared at different times, I find that in 1920-21, the total import of sugar was 147,106 tons in the first 8 months, and the price of this was Rs. 12,53,38,827. On this an *ad valorem* duty of 15 per cent. was charged. Then, Sir, in 1921-22 the total sugar which came in was 473,450 tons, the price of which was Rs. 19,88,47,784. By charging an *ad valorem* duty of 15 per cent. on this price, the total income was about Rs. 5,71,00,000 in the first 8 months of the year 1921-22. That means that the total income was about Rs. 7,00,00,000 in the whole year. The prices in 1921-22, practically up to January, 1922, we find were averaging at Rs. 30 per hundredweight; and, of course, charging an *ad valorem* duty on such high prices would bring in a high revenue. But now the prices are approximately Rs. 15 per hundredweight. As the Honourable the Finance Member says that we will not import so much sugar, then it means that we shall have a lesser quantity than has been given in these figures; and, by working on these lines, I think that hardly a revenue of 4 crores will be received, while the Honourable the Finance Member hopes to get about 9 crores of rupees. So, I think, Sir, that there will be a deficit in his estimate of about 5 crores ultimately. This deficit we shall have to meet next time I would suggest, and I think the Honourable the Finance Member would have done much better if he had suggested a duty on sugar by weight instead of by price, because prices are fluctuating and they might decrease this year too.

Passing on to the next item, Sir, on the income-tax side an increment from 14 pies to 15 pies has been suggested for those incomes which range between Rs. 3,000 and Rs. 40,000. I think this figure could have been easily taken at 16 pies, just as there has been an increment of 2 pies in the case of those incomes which go above Rs. 40,000.

I endorse all the speeches of Honourable Members of this House about salt, because the price of salt was 16 seers per rupee before the 1st March, but, as soon as an announcement was made here by the Honourable the Finance Member, salt is being sold at 8 seers per rupee to-day. This means that, not only have they charged for the increase of duty, but they have doubled the price of salt, which is a great hardship on the poor. There is one other thing. Hides and skins, raw and salted, are absolutely free and they are shown in Schedule I. They ought to have been taxed, because we have got a tax on the export of hides and skins. There is no reason shown on No. 88 in Schedule II for taxing non-plated cutlery at only 15 per cent.; it could go along with the other number No. 128, against cutlery, and pay 30 per cent. because it is a luxury and it is no necessity for India. Machinery, No. 95, Schedule II, has been taxed at 15 per cent.; it is rather strange that machinery which is used for industries in India should be taxed so high. I think 10 per cent. is more than enough.

Maulvi Miyan Asjad-ul-lah (Bhagalpore Division: Muhammadan): (The Honourable Member spoke in the vernacular.*)

Sir Frank Carter (Bengal: European): Sir, I think I am right in saying that a distinguished predecessor of the Honourable the Finance Member once described the Indian Budget as a gamble on the Monsoon or something to that effect. I do not know how that Honourable Member would describe recent Budgets, but to the humble tax-payer they cannot but appear as huge gambles, gambles in Exchange, gambles on trade prospects, gambles on Railway earnings, and gambles on Afghan Frontier wars. Since the hostilities of the Great War ceased in 1918, we have had four Indian Budgets, including the one now under discussion. Those introduced in 1919, 1920 and 1921 were all framed to show surpluses of some description; but, as the Honourable the Finance Member mentioned in his speech on Wednesday, the actual results, so far as ascertained, have been deficits of 24 crores, 26 crores and 34 crores, respectively, or an average deficit of 28 crores per annum. Is it any wonder that the Honourable the Finance Member has at length given up in despair the attempt to balance the Budget, and has left uncovered Rs. 2½ crores of the coming year's deficit, because I suppose he could not find anything further to tax? (Hear, hear.) I think, Sir, there is a very general impression that in recent annual statements India's financial position has not been painted in its true colours, and the pictures exhibited to the country have been in lighter and brighter tones than were actually justified or necessary. I hold the view that in times like these no good purpose is served by pretending that the position in India is better than it really is. Plain hard facts are what is required, and the sooner this country gets them the better for all concerned. However, I suppose we must recognise that Sir Malcolm Hailey always has been and always will be an optimist, and if he keeps on gambling 'in futures' long enough, he may ultimately strike a credit balance. That is, if he can meantime raise all the money necessary to carry on with. In this particular connection, I feel I must draw the attention of Honourable Members to the large amount of floating debt which this country is carrying at the present moment. I will not make comparisons with pre-war times or even with the period of the Great War, but I do feel justified in going back to March, 1919, when the first of these adverse Budgets, to which I have referred, was introduced. The Finance Member then was Sir. James (now Lord) Meston, and he considered it his duty to draw attention to the striking expansion of our paper currency. He pointed out that in March, 1915, the net circulation, excluding notes held in the Reserve Treasuries, was 55 crores; in 1917, it had risen to 82 crores; in 1918, to 98 crores; and in 1919, to about 150 crores. He went on to say that 'the creation of money and credit, especially credit which takes the form of paper money, is a pleasant process, while it lasts, but carries an inevitable sting; for every excess of paper currency has to be liquidated, and the value of money has to be reduced in accord with the needs of normal business.' Now at the end of March, 1919, we had only about 50 crores of Treasury Bills outstanding including about 6½ crores held in the Paper Currency Reserve. Even a year later, at the end of March, 1920, the amount of Treasury Bills outstanding was only 53 crores of which about 10 crores were held in the Paper Currency Reserve. Yet the Finance Member of that year, the Honourable Mr. Hailey, took the opportunity of his first Budget speech to point a moral. He said:

'We have been sailing very near the wind and the moral is obvious. Anything approaching 50 crores of Treasury Bill outstandings, to say nothing of the 68 crores reached in October last, is a dangerous amount of floating debt for India to carry * * * It is imperative, therefore, to reduce our floating debt to more manageable proportions.'

I will not take up more time quoting all that the Honourable Member said in this connection. It is fully reported in his Budget speech of 1920. By the end of March, 1921, the amount of Treasury Bills outstanding had risen to 105 crores of which over 61 crores were held in the Paper Currency Reserve. It is true that a portion of this increase was due to the revaluation of sterling holdings in the Paper Currency Reserve, but the fact remains that this floating debt during the year had been practically doubled. Sir, I have not quoted these figures to confirm the saying that the best-laid plans go oft astray, but with a view to impressing upon this House the great necessity there still exists for increasing revenue or cutting down expenditure. We cannot go on indefinitely on borrowed money, certainly not on floating debts, which ought to be liquidated at the earliest opportunity. We may not all approve of the exact manner in which the Honourable the Finance Member proposes to square his Budget for the coming year, but I hope we shall all agree with

*The original speech, together with a translation, will be printed in a later issue of these Debates.

the principle that the country's accounts should be squared either by raising the necessary revenue, or by reducing expenditure.

As regards the latter, I for one am not absolutely satisfied that everything has been done in this direction that can be done. In spite of the transfer to the Provinces of branches of administration which, previous to the Reforms, had been administered by the Central Government, I notice the expenditure on civil administration has been increased instead of decreased.

Turning to the manner in which Sir Malcolm Hailey intends to raise the necessary revenue, I hope there will not be many who will take exception to the increase in railway fares. Railways must pay and even now we can travel in India at a cheaper rate than in almost any other country in the world. I do not suppose for a moment that it will stop the millions of India travelling.

Many Honourable Members have already made remarks about the raising of the salt tax. The Finance Member has told us that it means a matter of three annas extra cost per head of the population per annum; not a very serious matter even to a poor man. The salt tax in the early sixties and seventies was Rs. 3-4-0 per maund; in the late seventies and early eighties it was Rs. 2-11-0 and from 1888—1903, Rs. 2-8-0 per maund. Since then, it has been reduced with one slight increase to Re. 1, and before the Budget it was Rs. 1-4-0. If the tax had remained at Rs. 2-8-0 for the last 18 years, we should not have been in such a difficulty as we are now in. I deplore the necessity of increasing the duty on sugar as this will only raise the price to the consumer and will bolster up an already sufficiently inefficient industry to his detriment and his alone.

Then there is the raising of the duty on Machinery, Iron and Steel, and Railway material. I feel that this increase, which is a departure from the past policy of the country, requires considerable justification. So far as Machinery in particular is concerned, this question ought to be carefully inquired into before the House agrees to such a drastic increase.

The import duty on foreign oil used to be $1\frac{1}{2}$ annas per imperial gallon. It is now raised to $2\frac{1}{2}$ annas per gallon. Government have also imposed an excise duty of 1 anna per gallon on kerosine oil produced in India. I do not myself see why this excise duty should not be the same as the import duty on foreign oil, *viz.*, $2\frac{1}{2}$ annas per gallon. Most of the oil produced in India comes from Burma and we all know that oil companies are some of the largest and richest companies in the world. Is there any reason why the oil companies of Burma should be let off so cheaply? It is not as if all the profits they make are spent in India.

Then, again, I should have liked to have seen the duties on wines and champagnes reduced, to see whether some of the lost revenue on these articles cannot be recovered.

It is all very well however to criticise, but there is no use in criticising or pleading for special consideration for individual articles unless some alternative proposal is forthcoming and the only alternative proposal which I can offer is considerably more rigid retrenchment and economy in all departments. I hope the Committee which is to be appointed will be able to make workable suggestions, but, as the Finance Member has rightly observed, the inquiry of this Committee can only extend to a matter of 20 crores. I would especially wish to draw their attention to the Public Works Department.

The position has to be faced and I think you will find that the European mercantile community will support the Finance Member's recommendations. It is recognised that India must put her financial house in order, and until this is done, we cannot look for any further material industrial improvement.

The Honourable the Finance Member has stated that our present financial position is due to the poor monsoon of 1920 (where we should have been if 1921 had been poor also I do not know), a very severe world wide depression in trade, the vagaries of exchange and labour trouble at the collieries, but he skims very lightly over what to me appears to be a very large factor in the situation, and that is the revolutionary agitation which has seriously interfered with trade and weakened our credit abroad. The depression in trade in India has been aggravated to an intense degree by the ceaseless campaign of class hatred and political agitation which has been permitted to become rampant during the last four or five years; it has involved our Imperial and Provincial Governments in large expenditure on the police; it has paralysed all our industrial undertakings, as can be seen by the losses shown in the working of the railways and has destroyed public confidence in the business world. The Government is responsible for this and until very firm steps are taken to counteract it we cannot expect to see any substantial improvement in our position. If it is not stopped forthwith, we may be faced next year, even with all this extra taxation, with a Budget as bad, if not worse, than the one with

which we are now faced. It is a very serious matter and cannot be disregarded.

Sir Malcolm Hailey admits that, owing to the short raisings of coal and the consequent purchases of foreign coal, the total excess of working expenses on the railways over the Budget estimate is $7\frac{1}{2}$ crores ; in addition to this, large rail and road transport charges, abnormal internal movements of troops and stores, due to military operations in Malabar and civil disturbances in other parts of the country and also increase in railway fares amounts to $1\frac{3}{4}$ crores. Add to that the present strike on the East Indian Railway, the strike on the Assam Bengal Railway, strikes at the collieries, strikes at the cotton mills, strikes at the jute mills, the loss in business at industrial centres and extra expenses in connection with the police and internal security, the sum total cannot be much less than 15 crores of rupees. It is true that some of these expenses will be borne by the provinces, but, seeing that most of the provinces are more or less bankrupt and are demanding a reduction in the contribution towards the Imperial Exchequer, the ultimate loss will fall on India as a whole.

Honourable Members have referred to the military expenditure and we have heard His Excellency the Commander-in-Chief's explanation regarding the military expenditure. His explanation, coming as it does from one of the greatest Generals in the War, must carry weight in this Assembly. We know he is personally looking into the question of economy, and he has told us that any reduction in the military forces at the present time would be dangerous. Personally, I am very glad to have his explanation regarding the military policy. No one in the Assembly can wish that any British soldier or Indian soldier should go into battle with inadequate equipment. We cannot allow peaceful citizens to be a prey to the inroads of Mahsuds. If we cannot reduce military forces, surely, as Sir Deva Prasad Sarvadhikary has suggested, the loss on some of the larger items could be spread over two or three years.

Beohar Raghubir Sinha (Central Provinces : Landholders) : Sir, I have not got to blame so much the Honourable Sir Malcolm Hailey as the Government's policy which is at the bottom of the last year's or this year's Budget, which again presents with greater force the continued story of woes and lamentations and utter bankruptcy, with no hopeful signs for the better in coming years. The outpourings of national tears, which somewhat lighten the heart for the time being, are going to stop and secede, only to be taken place of by the deep-seated unutterable gloom and despair which is the greatest danger-signal for the administration.

It is the most unhappy irony of fate, Sir, that yearly increasing deficit and fresh taxations add to further unrest in the country and go on swelling the ranks of discontented people and give stronger and fresher impetus to the movement out for mending or ending the present system of Government. There is no gainsaying the fact that the situation is most critical and very grave.

I feel, Sir, that I would be disloyal to the King-Emperor and my Motherland, if I fail to bring the point to the notice of the Government prominently and emphatically. Sir, the position has been made absolutely intolerable. Let not the last straw break the camel's back. The military expenditure, many years ago, reached the highest pitch. It has left us most insolvent. It has assumed gigantic proportions and to-day stands at a higher figure than it did during the World War. When in almost every other country involved in war the tendency has been towards the reduction of expenditure and remission of taxation, in India taxes are being piled up to an unimaginable extent. It is a matter of extreme surprise that the eyes of the Government have not been sufficiently opened yet. It is still inexorable.

Exchange policy was adopted in spite of strong opposition on the part of competent people. The suggestions for the Indianisation of the Army and other Services, the creation of a large Indian Militia and Territorial Force, which were bound to curtail the Military and Civil Budget to a very great extent, and, last but not least, substantial retrenchment in different directions, have fallen on deaf ears. The custodians of India's fate have acted in the way as the Hindusthani saying goes :

Karte hain, Karatte hain, Karneka fikr main hain '

viz., 'We are doing, shall get it done and are thinking of doing'.

Have they not, all these long years, flouted the opinions of such eminent Englishmen as Sir William Hunter, who said :

'If we are to govern the people of India efficiently and cheaply, we must govern them by means of themselves and pay for the administration at the market of native labour.'

And what is the result? In the words of the late lamented Dadabhoy Nawroji: 'Absolute material, political and intellectual drain from India'. His Excellency the Commander-in-Chief just said that Indian officers are not available who are up to the mark. Who, I ask, is responsible for this?

After more than a century and a half of British rule in India we still remain in the position of 'hewers of wood and drawers of water', and are still incompetent for higher Military Services.

The picture presented by the financial condition of local, provincial and Imperial administrations is one of unrelieved gloom. Heavy taxations are being unceasingly imposed year after year and the poor Indian is groaning and moaning under the most costly administration in the world, which is eating into the very vitals of India.

The imposition of the salt tax has ever been condemned since the time of Messrs. Dadabhoy Nawroji and Gokhale of revered memory. I ask, will the Government gain in reputation by doubling this tax? For God's sake, let the poor people be 'left alone with a pinch of salt'. In the words of '*The Indian Daily News*' 'Let *namak* be not tampered with and let Indians remain *namak halal* (loyal)'.

You cannot brand them as *namak haram* (disloyal) but those who are actually depriving them of their pinch of *namak*. Let not the poor be hit at all. The imposition of the cotton excise duty cannot be supported, as it will increase the price of goods such as *dhotis*, etc., the price of which is already very high and which is very badly felt by the people.

The increase of the duty on the import of machinery, iron, steel and railway materials, is bound to be detrimental to the industrial development of the country. Even the '*Pioneer*' says:

'It is a retrograde step and by enhancing the cost of essentials of industrial development, it will inevitably prove an obstacle to the extension of the industries of India.'

Let not the price of the postcard be raised to 2 pice and let not matches and kerosene be taxed. These will directly hit the poor. The poor do not get off even for food and they have to depend on only kerosene for light.

I wish to draw the attention of the House to the pessimistic views of even some of the well-known Anglo-Indian papers, over the Budget.

The '*Statesman*' writes:

'It is veritably a calamity Budget. The most audacious proposal is the doubling of the salt duty. That the Military Budget should have reached its present proportions is nothing short of monstrous. It is ruinously disproportionate.'

Again it remarks:

'Military expenditure is insanely out of proportion to the revenue of this country.'

The '*Englishman*' holds:

'A review of the situation is depressing in the extreme. No silver lining anywhere. It is impossible to acquit the Government of the charge that it has not exercised economy to the fullest extent possible.'

The '*Civil and Military Gazette*' writes:

'It would feel surprised if it is not materially altered before it is done with.'

Let me say, Sir, that the public opinion is decidedly against the passing of the Budget as it stands to-day. And we, the Members of this Assembly, are placed in an absolute anomalous position. Those of us outside the Council who believe in the utter futility of the Reforms, whose number is by no means small, hold that we who have come to the Councils are not the representatives of the people. We have been feeling fully conscious of our responsibility towards the Government and the people and forthwith realizing the difficulties of the Government—are we to share the responsibility of passing this Budget, against public opinion, in the face of the fact that we have no substantial powers over the finances, and thereby justify the allegations of our friends outside the Councils, and especially at this juncture when the Government have thrown us overboard by not immediately giving effect to the Resolution passed by this Assembly recommending that 'all items should be votable'.

Sir, someone in the innermost cells of my heart prompts me to say:

'Be true to God and man, shirk the responsibility which is not genuine. Do not be a party to the passing of this Budget.'

In fine, let me emphatically appeal to the advisers of the Government and the custodians of British Rule in India:

'Kindly mend the machinery before it is too late and let not end it.'

The responsibility is on their shoulders and theirs alone.

Mr. B. S. Kamat (Bombay Central Division : Non-Muhammadan Rural) : Sir, I listened this morning, with a great deal of respect and very close attention, to the speech of His Excellency the Commander-in-Chief. I also listened to the remarks which fell from Mr. Denys Bray. I frankly confess that His Excellency's speech disappointed me and distressed me more than the Budget introduced by the Finance Member. It appears to me, Sir, after listening to the debate of the last two days that the remarks of His Excellency raise a definite issue before the country, an issue of grave, momentous importance, and that issue is whether the country is going to give to the Finance Member a fresh taxation in the shape of 31 crores of rupees, or whether it will see to it that the Military Budget is also reasonably cut down from 62 crores of rupees. That is the plain issue before the country. His Excellency told us that it was not possible at the present moment to reduce the strength of the Army. He further told us that it would be generations, perhaps, before the Army is Indianised. My friend, Munshi Iswar Saran, has given a reply to that part of His Excellency's speech. His Excellency said that politicians who want to run on the path of Swaraj or to fly are entirely out of place. Those of us who are in this Assembly are at least not committed to the principle of flying on the path of Swaraj, but on the other hand let me tell His Excellency that those at any rate who are here do not want to crawl at the pace of the camel-cart of Delhi : if at all the Civil Government is to be Indianised or the military part of the Government is to be Indianised, we do not want to crawl at the lumbering pace of the camel-cart of Delhi ; surely, we are here to whip up the camel into a decent trot, if not into a break-neck gallop, so far as Indianisation goes. But the question which really appeals to me is this. Is the opinion of the military authorities the final and the last word in the matter of taxation ? Certainly, with all due respect to His Excellency, I say that upon this question of military expenditure his opinion ought to be final. But taken along with that question is the question of India's finances. I believe the soldier, however eminent and distinguished he may be, is not alone the person to determine what fresh taxation the country can bear. That question has to be solved both by the military and by the civil authorities. Therefore, if that is the view with which we approach this question, I say that the military policy of the Government of India cannot be dictated by any Commander-in-Chief for the time being. I say this with due respect for the distinguished soldier who now occupies that high position. That matter has to be determined by the economic condition of the people, by the taxable capacity of the country and the necessity which we have to bear in mind for future taxation. It is not only a question of raising 31 crores of rupees for the present year, because the Finance Member has told us that probably for some immeasurable time the taxation now proposed will have to be continued. Then, again, it has to be remembered that it is not only central taxation but provincial taxation which will be thrown upon the shoulders of the tax-payer. These two matters, that of the frontier military policy and of fresh taxation, have to be considered together. That is the crux of the whole position.

We were further told by His Excellency the Commander-in-Chief that, so far as the military policy here was concerned, he was not dictated to by any outside agency. I accept his word for that. In fact the Esher Committee's Report distinctly says that the Commander-in-Chief is the sole military adviser of the Viceroy. There is absolutely no doubt about that. But, Sir, the Report of the Esher Committee goes further than that and tells us that, so far as Imperial military questions are concerned, so far as the question of Imperial Defence is concerned, the principle is laid down that the military policy of the Government of India—not of the Commander-in-Chief, but of the Government of India as a whole—must be in consonance with the military policy of Imperial Defence. If that statement in the Esher Committee's Report is correct, and if the military policy of the Government of India is to be in consonance with Imperial interests, I say that either the Imperial Government must share the military burden with us or leave an absolutely free hand to the Viceroy and his advisers here to determine the military policy and the Military Budget of India.

His Excellency further told us that, though he had tried to reduce the military expenditure in all sorts of ways, it was not possible further to reduce the Military Budget. Well I must accept his expert opinion in that respect. But, Sir, in this discussion on the Military Budget, which His Excellency has placed before us, it is still possible to place one's finger on many items and to point out by way of illustration that there in those items there is yet room for reduction. For instance, in this year of financial stringency, it is proposed to spend no less than a crore and 18 lakhs for raising and equipping a Territorial Force. Why should this particular year be chosen for this purpose ? Why cannot that matter be put off for the present ? Then,

in the matter of military works, no less than 40 lakhs of rupees have been set aside for certain works in Waziristan. It is proposed to spend also no less than 20 lakhs for the re-construction of certain barracks. Why cannot that expenditure be held over for some time to come. Then, again, let us examine the different allowances that are given to the British soldiers. It is surprising to find that there is a punkha-pulling and a waterman's allowance, for sprinkling water on *khushkhus tattis* and the like for ordinary soldiers; there is a marriage allowance, a family allowance and a separation allowance. Since the country is on the high road to financial ruin, it behoves the military authorities to reconsider the whole question of these extra charges and arrive at some solution of the problem. The Finance Member has told us that we, along with all other countries, are passing through a financial crisis. But let me ask him, how are the other countries in the world solving the problem?

Look at England. How is his own country, Great Britain, how are his own countrymen, at the present moment engaged in solving the same problem? By the double method, the dual method, of cutting down *both* Military and Civil expenditure and then raising additional taxation, whereas the Finance Member here in this country is only going to have recourse to one method. *viz.*, to have additional taxation and not a single lakh of rupees is going to be cut down from the Military expenditure. That is precisely the difference between the method by which England is solving her problem and that by which India and India's Finance Member are solving that problem. Sir, as I said, we have a definite issue before us. Government wants 62 crores of rupees, not a farthing less for the Military Budget, and they want to raise 31 crores of additional taxation. Certainly we shall be reasonable, provided Government in its turn is reasonable. We have co-operated with Government. I ask, let Government at this time reciprocate that co-operation which we have given to it since last year and let them cut down from 62 crores something and then come to us for the remaining amount of additional taxation. But, Sir, if that is not the spirit on the part of Government to reciprocate our co-operation, surely it would be time for this House to consider the definite issue which has been placed before them, *viz.*, whether we are going to surrender ourselves to this additional imposition of 31 crores, mind you, not only for this year but for some years to come, and accept this burden of 62 crores simply because the military authorities in all their honest conscience think that that is the irreducible minimum required for the carrying on of the military defence. Certainly, I think it should be the duty of this House, as representatives of the tax-payer, to see that some portion at any rate of this Military Budget is cut down, in consideration of the fact that the country is passing through a grave financial crisis. Sir, only if they do that, and then come to us for the remaining amount of deficit, we shall be very glad to support them. Otherwise, I for one cannot support such a Budget.

Mr. N. M. Joshi (Nominated : Labour interests) : Sir, I was considering whether I should speak at this late stage or not, but one thought encouraged me. I thought to myself that it would not be wrong of me if I inflict a speech upon this House when the Finance Member was going to inflict the burden of a very heavy taxation upon the country when the country is already overburdened. Sir, the Government ought to remember that this House stands constitutionally in a very anomalous position as regards the Budget. They can vote only a very small portion of it while they are asked to assist the Government in voting for the Finance Bill. If the House defeats the Finance Bill, the course will be regarded as extraordinary. In these circumstances, it is the duty of Government to assist the House in every possible manner in order that they should be able to do their duty to the country, and for this reason it is necessary that Government not only should treat this House with courtesy but with great consideration. The Government could have very easily known that this year there would be a deficit in revenue. They had several months during which they could have appointed a Retrenchment Committee which could have reported before the Budget. But they did not do it. Then, Sir, there is another question. We all know that, if the Indian taxpayers' burden is to be lightened, it can be lightened only by curtailing the military expenditure, but the military expenditure cannot be curtailed substantially unless the Indian Army is Indianised. Unfortunately, Sir, the speech of His Excellency the Commander-in-Chief was very disappointing in this respect. The first reason that I think he gave for not being able to Indianise the Army was that at present there are internal troubles in India and he hinted that he could not depend upon the Indian Army to put down these internal disturbances.

His Excellency the Commander-in-Chief : I do not think I hinted at that.

Mr. N. M. Joshi: His Excellency mentioned that seditious propaganda was being spread in the Army and, he also said, in some cases with success. Sir, I know the loyalty of the Indian Army. I also know one other thing, that there may be some stray cases of disloyalty among the Indian soldiers. Where is the Army in the whole world which is immune from disloyalty? Is the British soldier not susceptible to the influence of Bolsheviks? He is. Then, why make use of a few stray cases of disloyalty or indiscipline in the Indian Army as a reason for not Indianising the Indian Army? (Hear, hear) Sir, this is not a very adequate reason; for the loyalty of the Indian soldier, who not only fights the Afghan, not only has fought the German, but who, out of a sheer sense of discipline, does not mind even shooting his own countrymen when there are riots on account of political agitation, is well known. (Hear, hear.)

Is that the reward which the Government is going to give to the Indian soldier?

Sir, there is another point. Although His Excellency the Commander-in-Chief gave the internal troubles as the reason, there is another reason always at the back of the mind of the English Officers as well as of the Government, that the Indian soldier and the Indian regiments require the stiffening of the British troops. Sir, once for all let me say that this is only a fad of the Englishman that the Indian soldier and the Indian regiments require the stiffening of British regiments. I, for one, cannot accept the truth of this statement. I believe that the Indian soldier, man to man, is equal to the British soldier (Hear, hear); therefore we need not wait for generations for the substitution of the British troops by Indian troops. Sir, there is some difficulty in securing Indian Officers and the training of Indian Officers may take some years; but surely even that may not take several generations. Unfortunately, the Government is not willing to make serious efforts in that direction. His Excellency mentioned that Government is starting some schools. For what purpose? Not for training the Indian Officers for the Indian Army, but to give them some preliminary education to be trained as Indian Officers. Sir, I want to know whether in England there are schools for this preliminary education, and why are such schools necessary in India? The only reason, it seems to me, is this, that Government does not want to throw open the commissioned ranks to our people. They want to confine the commissioned ranks to a very small class of people whose loyalty is above suspicion in their eyes.

Then, Sir, there are some other remarks which I would like to make about this subject. His Excellency mentioned, as part of the scheme of Government for Indianising the Army, a Territorial Army. Now, as regards a Territorial Army, we know that Government has made certain distinctions between the Territorial Force and the Auxiliary Force. Their rights and privileges are not the same. Do they expect the educated Indian to join the Army unless he gets the same privileges as the British educated man gets? I do not want to pursue the subject any longer. The only other remark that I would like to make as regards military expenditure is this, that if Government wish that this House should co-operate with them in passing the Finance Bill, Government ought to take this House into their confidence even as regards military matters, otherwise it is not possible for any Member of this House to support the Government in passing the Finance Bill. (Hear, hear.)

Sir, I should like to say only one word about the civil expenditure. Government has not made any effort to cut down expenditure in spite of the remarks made by the Honourable the Finance Member. On account of the Reforms, several Departments have been provincialized. Has the Government of India in their Secretariat reduced any staff on account of that? Is there any responsible work left for those Departments, the functions of which have been provincialized, for instance, the Departments of Education, Sanitation, Public Works, Revenue, Industries?

Then, Sir, I would like to make only one or two remarks about the taxation. The first thing is, I am entirely opposed to the salt tax, but I do not propose to speak longer on this subject, except to make one remark about what fell from my Honourable friend, Mr. Darcy Lindsay, and my Honourable friend, Mr. Cotelingam. They said, there was no objection to the salt tax, because the workers in mines get more, and the workers in factories also are getting much more than they used to do. In the first place, if their wages have not gone up, the prices have gone up; so it makes very little difference to them. In the second place, I do not object to the Government levying any tax upon people working in mines or working in factories.

Does Mr. Darcy Lindsay know how many people there are in the country who are working in mines or factories? Their number won't

be more than 2 or 3 million, or at the most, 5 million people. I do not mind your levying taxes upon these people but the salt tax is not going to fall only upon the workers in factories and mines who are getting comparatively better wages. The tax will fall upon the whole manhood of the country. The average income of the Indian, as estimated by Dadabhai Nawroji, was Rs. 27 a year. Lord Curzon went one step further and said, it was Rs. 32. I say, to-day it may be even Rs. 40 ; but I ask my Honourable friend, Mr. Darcy Lindsay, whether Rs. 40 a year is a sufficient income to maintain one man in flesh and bone. If it is not, then the salt tax is unjustifiable, because it falls upon every man whether he gets Rs. 15 or Rs. 20 a month, or even Rs. 40 or less a year.

Sir, I should like to ask Government, when they frame their taxation proposals, what is the test, what is the criterion, on which they base their taxation proposals? The Honourable the Finance Member seemed to say that he wanted to levy such taxes as would fall upon the people equally. Somebody said the taxation proposals hit rich and poor equally. Is that the object of the Government, that their taxation proposals should hit the people equally without any regard to their ability to pay? If the basis of taxation is not to be that, it should fall equally upon people, the only other basis possible is that they should fall upon people according to their ability to pay. If you judge the present taxation proposals of Government in that light, I think they have not taken this point into their consideration.

Sir Godfrey Fell (Army Secretary) : Sir, I propose to reply as briefly as possible to some of the criticisms which have been levelled, in the course of the discussion yesterday and to-day, against the scale of military expenditure which the Government of India have found themselves compelled to adopt for 1922-23. Those criticisms are various and detailed, but they all reflect the objections, the very natural objections, of Honourable Members of this Assembly, to the high scale of military expenditure, and their desire to reduce it. But, before I deal with any other criticisms, I wish, Sir, to take this immediate opportunity of correcting a most dangerous misapprehension which has been revealed by the remarks of my Honourable friend, Mr. Joshi, on the subject of His Excellency the Commander-in-Chief's remarks this morning about the Indian Army. On that subject on his interpretation of what fell from Lord Rawlinson, Mr. Joshi has built up a monstrous charge against His Excellency the Commander-in-Chief of not trusting the Indian Army. I have only to mention that charge to this Assembly, for it to realise how utterly untrue it is. His Excellency made no such statement. What he said was : ' I see signs of grievous unrest in India to-day '. He proceeded to detail the symptoms of that unrest, and, in connection with it, he mentioned attempts to tamper with the loyalty of troops. I wish to give the earliest possible denial to any suggestion that His Excellency the Commander-in-Chief or any of the high military authorities in India are actuated by any spirit of distrust of our splendid Indian Army. (Hear, hear.)

Now, Sir, to turn to a few of the detailed requests for information and criticisms. Mr. Seshagiri Ayyar asked for an explanation of the statement which was recently made by Sir Robert Horne in the House of Commons, as telegraphed out by Reuter. I think it is only natural that he should ask for information on this point, because the first message which we received gave food for anxious thought to any one who is interested in our military and financial situation in India. The impression which Reuter's message appears to have conveyed to my Honourable friend was something like this : that the Geddes Committee had recommended the reduction of 7,000 British troops in India, but that the Government of India, owing to a vacillation in their policy, had at the last moment refused. Now, Sir, there is not one word of truth in that suggestion. The whole of the statement attributed to Sir Robert Horne was based upon a misapprehension of facts, a misapprehension of what has been done in India. It was corrected the next day by Sir Robert Horne himself in reply to a question in the House of Commons. The actual facts are these, that the reduction about which this misapprehension arose has been carried out some three years ago ; that is the very figure of 7,000 men. The facts are that the combatant strength of British troops before the war was 72,882, in 1922-23, it is 66,012 ; and, in the same period, there has been a reduction in the strength of British officers from 4,790 to 4,352.

Next, Sir, Colonel Gidney complained that the movements of troops were made regardless of economy. It was inevitable that there should be large movements of troops during the war and in the period succeeding the war ; and I am afraid that we shall not get the expenditure under this head down to the lowest possible limit until our frontier operations are over and all our troops have returned to their peace stations. Another cause of heavy expenditure in

this direction is, of course, the movement of troops to deal with civil disorders. I can, however, assure the Assembly that His Excellency the Commander-in-Chief is doing everything in his power to keep the expenditure down to the very lowest possible limit. I have only to-day seen some orders of His Excellency on the subject, putting a stop to the practice by which cavalry regiments take their horses with them on transfer or relief, and guns and heavy equipment are also moved. He proposes to substitute for it a procedure under which the relieving unit will take over the horses and equipment. Also the programme of reliefs will in future be fixed in advance and will be rigidly adhered to.

Another point which Colonel Gidney made was this: he complained that we spent Rs. 7 $\frac{3}{4}$ crores in purchase of stores from England, and that it would be much better in every way if we bought them all in this country. I think that my Honourable friend has made a slight mistake here in his figures. The total bill for stores from England is only £2 $\frac{1}{2}$ millions; and it is mostly made up of mechanical transport and ordnance stores, which cannot unfortunately be procured in this country.

Then, Sir, Mr. Harchandrai Vishindas, in that part of his very interesting speech in which he professed to offer constructive rather than destructive criticism, referred to the amalgamation of the British Army in India with the Indian Army after the mutiny. No doubt, owing to lack of time, he did not proceed to develop his argument and to say in what way a reversal of that policy would result in the economy which we all so much desire. I think the answer to this suggestion is this: that, assuming that we require British troops for the defence of this country, we shall not secure any economy by departing from our present system under which we borrow our troops from the United Kingdom.

We could not get men to enlist for duty solely in India at the same rate that we can get men, or rather the War Office can get men for service partly at Home and partly in India. Then, again, we should have to give the private soldier, if he was enlisted for continuous Indian service, so to speak, very liberal leave to England and pay his passage and expenses. That would mean heavy transport charges. Then we should have to pay increased pay and pension charges for the officers of a localised European force. That is to say, we should have to pay them at least the same rates as the officers of the Indian Army are paid, and not the present rates drawn by British service officers. I think the Indian tax-payer may rest assured that the War Office does not pay more than the market rate for its soldiers; and that, if we were to attempt direct recruitment, we should have to set up an elaborate and expensive machinery at Home for recruiting and training them, and the men so recruited and trained in England, when landed in this country, would be much more expensive than they are now.

Mr. Samarth wished to know how much the Government of India received on account of Indian troops employed by His Majesty's Government overseas. I can give him the answer in a very few words. They receive punctually and regularly the whole of the charges connected with the employment of those troops.

Then, Sir, he went on to speak about the Military Requirements Committee and the Committee of Imperial Defence, and he asked who represented the Government of India on the Committee of Imperial Defence. The answer is that the Secretary of State for India represented the Government of India on that Committee.

He then went on to ask whether the recommendations which were made to that Committee by Sir Claud Jacob were made on behalf of the Government of India, or whether they were made by him over the head of the Viceroy and the Government of India. Sir, I am very glad that my Honourable friend has asked that question, as he has thereby given me an opportunity to state the facts to the Assembly. The facts are these. General Sir Claud Jacob, the Chief of the General Staff, was compelled to go to England last September for reasons of health. The Secretary of State took the opportunity of his presence in England to take him with him to the meetings of the sub-committee of the Committee of Imperial Defence as his Military Adviser, in the place of General Cobbe, the Military Secretary at the India Office, who also at that time unfortunately was ill. Sir Claud Jacob was not a member of the Committee, and, for I have asked him about this point to-day, he was not allowed to speak before the Committee. He was only allowed to answer questions on points of fact which were asked him, and, on the one or two occasions when the Committee asked him for his opinions, he was careful to preface his remarks by saying that he had no authority to speak on behalf of the Government of India nor on behalf of the Commander-in-Chief, and that the opinions that he expressed were his own personal opinions, based on

his own knowledge of India and Indian conditions and of the frontier. The suggestion that Sir Claud Jacob posed as the representative of the Government of India before the Committee of Imperial Defence is, therefore, wholly without foundation.

Dr. Gour took exception to the suggestion that military policy is a matter for the Commander-in-Chief, and Mr. Kamat said very much the same thing. Dr. Gour said that it was for the Government of India to decide the military policy, and that it was the duty of the Commander-in-Chief and his officers to carry it out. Well, Sir, that is precisely the position which exists to-day, as indeed it has always existed. The Commander-in-Chief, as this Assembly is surely aware, cannot dictate the military policy of the Government of India. He can only advise the Government of India, and it is his duty to do so. It is for the Government of India as a whole to accept or to reject that advice, as they think fit.

Sir Montagu Webb gave us some calculations, based upon the pre-war cost of the Army and the rise in prices since the pre-war period, and from then he deduced a theory that we ought to run what used to be a 30 crores army for 45 or 50 crores. Well, Sir, it may seem that there is something in that argument at first sight; but I must remind him that since the pre-war period, new expenditure has been incurred in various directions, for instance, the pay of the sepoy has been increased, and we now feed him in peace-time in cantonments as well as in the field.

Then, again, Sir Montagu Webb based his calculations on an increase of 50 per cent. in prices in India. I must remind him that all our charges are not in this country, and that much of our expenditure is unfortunately incurred at Home. Also the additional heavy cost of British troops reflects the rise in the cost of living in the United Kingdom.

Mr. Shahani, in the course of the few remarks which he was able to crowd into that all too brief twenty minutes, questioned the statement made by His Excellency the Commander-in-Chief, in the course of his speech this morning, that he is not under the domination of the War Office and he adduced, in proof of his assertion, the fact that the report of the Military Requirements Committee had to go before the Committee of Imperial Defence. Let me tell Mr. Shahani that the Committee of Imperial Defence has no more to do with the War Office than it has with this Assembly. It is a Committee appointed by the Prime Minister and has no connection whatever with the War Office.

The question, Sir, to which as practical men we now have to address ourselves is this. Can we cut down the Military Budget for 1922-23? That is really the main issue which is before the Assembly. It is, of course, obvious that the principal factor which governs the Military Budget must be the strength and organization of the Army. The Assembly has had the advantage of hearing on this subject the views of His Excellency the Commander-in-Chief to-day. He, as the supreme military adviser of the Government of India, has stated as his definite and considered opinion that we can make no reduction in the fighting troops at the present time. I feel sure that there is no one among us laymen in this Assembly who will question the opinion of such a high authority as Lord Rawlinson, the more so in that Lord Rawlinson has shown ample proof, since he has held his high office, of his desire to effect economies wherever they are possible. I am sure that the Honourable the Finance Member will agree that this is the case. He has indeed, this year, postponed, as he has told you, many urgent schemes in order to try to meet, so far as it lies in his power, the very difficult financial situation of the Government of India. It would be impertinent for me to add anything to what His Excellency the Commander-in-Chief has said on these questions of high policy.

But what I want to deal with is this, whether, given an Army of this size and strength, the people of India are getting full value for the money which is spent on it; in other words, whether that Army is administered with due regard to economy. It is obvious to the Assembly that there are many directions in which the scale of expenditure cannot be reduced. The men must be paid the rates at which they were recruited, they must be clothed, they must be housed, they must be fed, they must be taught their profession, trained in musketry, drilled, disciplined and the rest. I gather, however, from some of the speeches which have been made to-day, as well as on a previous occasion, that there is an impression abroad that more economical arrangements could and should be made in the matter of contracts for large purchases in connection with the Army. I need hardly say that the Government of India welcome any constructive criticism which can be offered on this subject. But I think it might be as well if I said a little about the methods employed in connection with these contracts; and this is all the more desirable because, in the course of the debate on retrenchment on the 3rd February, I think it was—Mr. Samarth inquired whether we were getting our money's worth in all respects.

He instanced the large amount of money which is spent on supplies and contracts and transport. He asked for a Committee of this House to inquire into the whole procedure of the Controller of Contracts. He wanted to know how many contracts he had entered into in regard to wheat, sugar and tea ; and whether, at the time the rates were sanctioned by him, they were higher or not than the rates which obtained in the open market. He asked whether we were getting our money's worth, or whether we were spending the money as if it were nobody's money in particular and could be spent anyhow. My Honourable friend, Sir Frank Carter, associated himself with Mr. Samarth's remarks on this subject, especially as regards the contracts for sugar, about which he claimed to know something.

Again, speaking in this Assembly yesterday Mr. Harchandrai stated that there was no proper supervision over contracts, and I understood him to say—he will correct me if I am wrong—that in the opinion of many people in this country, where the civil authorities pay one rupee for an article, the military authorities habitually pay five rupees. Colonel Gidney expressed his misgivings about our supply and transport arrangements, and said that large purchasing contracts should be controlled by expert business men, and not by soldiers who have gained their experience at the expense of the Army and of the tax-payer. (Hear, hear) I hope to make it clear to the Assembly that these purchases are now made with a due regard to the interests of the tax-payer ; and I will also take this opportunity of reminding this Assembly, with reference to Colonel Gidney's suggestion, that it was only a year ago that they unhesitatingly rejected a proposal to transfer the whole of the contract and supply arrangements of the Army to a civil department of supply.

Now, the largest of these contracts obviously is that relating to wheat and other grains. What are the facts ? Before the war and during the early period of the war, these purchases, and purchases of other commodities to which I shall presently allude, were made either by one division to meet the needs of a group of two or three divisions, or by each division for its own requirements. There were many objections to this arrangement. It did not give a wide enough field for tender ; it meant purchasing in watertight compartments, and it undoubtedly led to the formation of contractors' rings, which forced up the prices against the officers who were purchasing on behalf of Government. Consequently, in 1918, an organisation was set up at Army Headquarters under a Controller of Contracts ; the first Controller of Contracts, as this Assembly knows, was a distinguished business man, Sir Hugh Bray. In connection with these grain purchases, Sir Hugh Bray decided that it would be necessary to entrust the purchases to a single agency which had an organisation covering all possible fields of supply in India ; and he decided, and the Government of India agreed, that at that time the only firm in India which was really capable of undertaking this work on so large a scale was Messrs. Ralli Brothers. The arrangement was referred for the advice of the Presidents of the Calcutta and Bombay Chambers of Commerce, who both said that, in their opinion, it was the best that could be devised in the circumstances. The arrangement was reconsidered in June 1919 and a revised agreement made. One advantage that I should mention in connection with the appointment of Messrs. Ralli Brothers was that they were also the buying agency to the Royal Commission on Wheat Supply ; and their selection for this work thus eliminated all danger of competition between the Military Authorities in India and the Royal Commission. The agreement, however, with Ralli Brothers will now be terminated, and it has been decided to call for open tenders. One reason for this is that prices are no longer controlled in India, and another is that our requirements have been considerably reduced. The Chambers of Commerce are being consulted as to what firms are likely to be able to take up this business, and a new purchasing arrangement will shortly be entered into. I should, however, like to add that, on a review of the purchases for the nine months from January to September, 1921, I find that the prices paid by Rallis were in most cases below the prevailing rates in the locality in which the purchases were made ; and that on three articles, wheat, barley, and gram, the prices paid by Rallis show during this period a saving of more than 7 lakhs over the then prevailing market rate. I do not think that this has been at all an unsatisfactory arrangement on behalf of Government.

I turn now to sugar, to which my Honourable friend, Sir Frank Carter, rather pointedly referred in the debate the other day. The purchase of this article was also taken over by the Controller of Contracts in 1918. Most of the purchases were Java sugar, and were made through Ralli Brothers. However, towards the end of 1919, there was an acute shortage of sugar throughout the world, which lasted for a great part of 1920 ; and the price in India rose by over 100 per cent. Consequently the

Controller of Contracts decided to consult the members of the Sugar Committee, which was then in Simla, and of which, I need hardly remind the Assembly, Sir Frank Carter was a distinguished member and, on the advice of that Committee, it was decided to purchase a large quantity of sugar for forward delivery extending over some months. Purchases were made from five firms, amounting in all to rather over 7,000 tons, at rates varying from Rs. 32·8 to 41·96 per 100 lbs. During the same period other purchases were made at Rs. 39·27 and 30·35 per 100 lbs. It is perfectly true that the subsequent trend of prices in the sugar trade has shown that it would have been much more economical if we had only purchased then sufficient to meet our immediate requirements. But it was impossible at the time to foresee the subsequent phenomenal fall in prices; and it was considered advisable to have a stock in hand or in sight sufficient to meet the requirements of the Army during the acute period of sugar shortage that was then anticipated. To this extent the Government made a bad bargain, but I submit that it was made on the advice of a body of men who were peculiarly competent to advise. In fact, they were a body such as we are so often asked to appoint in this Assembly—a Committee of officials and non-officials, with a non-official majority. Well, Sir, these sugar purchases lasted till October last, and, since then, further orders have been placed for 2,000 tons, at rates varying from Rs. 15-2-6 per cwt. to Rs. 16-11-3 per cwt. The market rates during that period varied from Rs. 15-2-8, which is higher than our minimum, to Rs. 16-14-6, which is again higher than our maximum. I do not think that any one can take exception to the recent contracts which we have made for sugar.

I now turn to another commodity of which large purchases are made on account of the Army, and that is tea. Here the arrangements were unsatisfactory in the past. The supply was a virtual monopoly of a few estates in the neighbourhood of Dehra Dun. These estates numbered no more than 20, whereas the number of tea firms dependent on the Calcutta market was over 500. It was, therefore, decided in 1919, after consultation with those best qualified to advise, to do away with our then existing arrangement and to purchase our tea requirements through a large firm in Calcutta on a commission basis; the actual commission paid was $\frac{3}{4}$ pie per lb. purchased. The agreement was reviewed in 1919; the Bengal Chamber of Commerce were asked to furnish the Controller of Contracts, with a list of reliable tea firms, and tenders were called for. Again in 1921 tenders were called for, with the result, however, that the gardens which submitted tenders were not able to meet the total requirements, and the buying was again entrusted to a Calcutta firm. In all cases the agreement with the agents provides that the rates charged for the tea purchased on behalf of Government must be accompanied by broker's certificates as to the prevailing rates, and there is thus no possibility of excessive rates being charged. I do not think I need weary the Assembly with details of the average rates paid during that period. I can assure them that they were the market rates, and I shall be pleased to furnish them to any Member who cares to ask for them.

So much, Sir, for the details of these contracts. I would like to add that, in all matters relating to these large centralized purchases for the Army nothing is done except with the concurrence of the financial authorities. Every contract has to be examined by the Financial Adviser (Military Finance) or by his Deputy attached to the Quartermaster-General's Branch at Army Headquarters. I do not think that it would be reasonable to expect Government, any more than any business man or private firm, to make invariably such an accurate forecast of the future trend of market prices that it can never make a bad bargain in any circumstances. After all, the people who buy and those who advise them are human, and therefore liable to err. What I do claim is that the utmost care is exercised by Government in respect of its large purchasing operations on behalf of the Army, that the best advice possible is taken, and that the purchases, as far as possible, are made at the most favourable times and at the lowest possible rates.

I have dealt, Sir, at some length with this question of contracts, because I want, if possible, to disabuse this Assembly of the idea—to quote Mr. Samarth's words—that the country's money is being spent as if it were nobody's in particular and can be spent anyhow. That, I can assure the Assembly, is not the case. This is just one of those matters connected with Army administration which lends itself particularly to vague attacks,—a sort of general suggestion that there is either a lack of business methods amounting to criminal negligence or corruption, or both. I say that there is no foundation for this idea at all. Then, as to the more general charge of extravagance, I ask, Sir, where is the proof? Can any Member point to definite instances of extravagance? I must remind the Assembly that there is in India a very high authority, independent of the Government of India (I refer to the Auditor General),

whose special function it is to scrutinise public expenditure and to satisfy himself that public money is properly spent and properly accounted for. His Audit and Appropriation Reports are available to the public, and I do not think that, during the last two or three years, there is anything in them to justify the idea that there is any undue waste or extravagance about Army administration.

That, then, Sir, is the position. The Military Budget is based on an Army of a given size and composition. The strength and organization are based on the recommendations of the Commander-in-Chief, but are fixed by the Government of India and by His Majesty's Government. Every effort is made to keep the cost down to the minimum possible. The most perfect administrative arrangements in the world would not reduce the present cost appreciably, because that cost reflects, in great part, the high prices prevailing throughout the world, as was pointed out earlier in the debate by Sir Montagu Webb. In other words, it reflects the depreciated value of money; and this factor ought not to be overlooked in comparing the cost of the Army to-day with its cost before the war. The Government of India look forward as anxiously as anyone in this Assembly to the time when the strength of the Army can be further reduced, and when a general fall in prices and improvement in our revenue position will make the army less of a burden on our finances. The trend of prices depends upon world movements, and these cannot be controlled by the Government of India. As regards the strength of the Army, the Commander-in-Chief has told you that the moment for reducing it has not yet arrived.

It is not the fault of the soldier,—perhaps I should say of 'that all-devouring, all desolating Moloch, the Military Department,' to quote my Honourable friend, Dr. Gour,—it is not the fault of this Moloch that military expenditure is so high. The causes must be sought elsewhere.

Babu Ambica Prasad Sinha (Patna *cum* Shahabad : Non-Muhammadan) : Sir, I am sorry that I feel called upon to criticise adversely the Budget that has been presented to us. Nothing could have given me greater pleasure than to support the proposals put forward by Government, but I think I shall serve the best interests of my country as well as of Government if I speak out plainly on this occasion. It is scarcely necessary for me to say that India is now one of the poorest countries and she is not in a position to bear this heavy burden of taxation. These fresh taxations, I am afraid, will increase and aggravate the discontent that prevails in the country; and Sir, I beg to ask Government how long is it proposed to carry on the administration of India in this manner? How long, I ask, are we expected to bear this load of excessive military expenditure? I shall earnestly urge on Government, if it wishes to satisfy our national demands and aspirations and to effect economy, to immediately reduce the number of British troops in this country and to Indianise the Indian Army. Further, Government should take steps to stop recruitment for the Public Services in England and to pay their servants on an Indian scale. There are other suggestions which have been made by my Honourable friends and I need not dilate on them. But I cannot help impressing on Government that its action in levying an enhanced duty on salt is calculated to affect every hearth and home in the whole of India and thus unpopularise it. With these words, let me express my profound disappointment at the Budget that has been presented to the House.

Rai T. P. Mukherjee Bahadur (Burdwan Division : Non-Muhammadan Rural) : Sir, this is the second year of the reformed era, which was ushered in with great expectation and was welcomed by a party, including myself, as the dawn of a happy franchise for the good of our country. But the successive deficit Budgets have taken away the spell and the charm of the Reforms and the happy vision is gradually vanishing into thin air. Those who were very enthusiastic for the new Reforms at the beginning, are now changing their opinion and are inclined to share the views of the extremists. Sir, the prospects are very gloomy. The people of the country are all discontented and it is mainly due to economic difficulties, and the non-co-operators, having taken advantage of this situation are disturbing the peace of our life and are threatening also to lead us down to the abyss of anarchy. Sir, in this time of trouble, what are we doing to remove the difficulties which are at the root of all the troubles and unrest in the country? Instead of taking any practical steps to remove those difficulties, we are introducing every year endless additions in taxation and a heavy outlay of expenditure, so much so, that we are about to levy again more taxes on salt, kerosene, railway fares, etc., which would go down even to the door of the poorest of the poor. Sir, the people are all disappointed and they are now thinking that the Reforms mean only a succession of deficit Budgets, of Provincial and Imperial bankruptcy, and endless additions in taxation.

Sir, I hope that you will all agree with me in thinking that the people should be first satisfied; and how they would be satisfied is a problem which confronts us and the Government. In my humble opinion, the people would never be satisfied, even if you grant them any amount of political rights, even the grant of Swaraj, with additional taxation. Sir, simple and inexpensive ideals must suffice an agricultural country like India 'where a vast population tends always to overtake the means of subsistence'. Sir, the people should be first well-fed and adequately clothed. These are the essentials, and, until these conditions are fulfilled, the luxuries of civilisation must wait. In time of adversity like this and financial stringency, there is need of serious thinking, when every kind of public expenditure is introduced, whether these expenditures are desirable and whether we can afford them, and, in my opinion, these criterions should be first applied to the ruinously disproportionate heavy military expenditure of the country, and, unless this is done, the result would be disastrous. Sir, it would be a great blunder if we ask again for further taxation to carry on the ordinary machinery of administration without seriously attempting to curtail the heavy expenditure. Sir, with these few observations, I am sorry I cannot conscientiously induce myself to support this unprecedented Budget.

M. K. Reddi Garu (South Arcot *cum* Chingleput : Non-Muhammadan Rural) : Sir, I thank the Honourable the Finance Minister for showering on us, the Members of the youngest of Parliaments, encomiums and praises for our sanity and moderation, and for having stood a test which might have strained the capacity of many an older institution. But this kind of subtle game cannot be relied upon for all time. Our present situation is very serious. The Budget which the Finance Member placed before us has taken away our very life breath. Last year, Sir, you asked us to tax the country to the extent of 18 crores and now you advise us again to find you money to cover your deficit of 32 crores. Shall we be a party to it? Surely, Sir, we are determined not to be a party in passing this Budget; and, speaking for myself, may I request you, Sir, to record my vote always on the side of 'Noes', and let not my position be misunderstood that I have been a party in passing this extravagant and gloomy Budget, as well as this heavy Taxation Bill. If this House should be dissolved now, and a fresh election fought out on this new Taxation Bill, I can assure you, this whole Bill is sure to be thrown out by the new Assembly. Even if the non-co-operators should stand out of the Councils, the fate of the new Bill is surely bound to be the same. If, under these circumstances, the Government should advise the Viceroy to use his extraordinary powers to restore the Budget and the Taxation Bill, well, you are welcome to take the responsibility and act on it. But, Sir, you should not forget the well-known truth, that taxation and representation are inseparably united and that God has joined them both; no Viceroy can put them asunder. To endeavour to do so is to stab our very vitals. Taxation and representation are inseparably united and we will maintain it to our last hour. It is founded on the laws of nature, it is itself a law of nature.

'Whatever is a man's own is absolutely his own; no man has a right to take it from him without his consent, either expressed by himself or his representative. Whosoever attempts to do it attempts an injury, and whosoever does it commits a robbery, and he throws it down and destroys the distinction between liberty and slavery.'

Sir, these are not my words, they are the words of one who strenuously fought against the rights of the Mother Country to tax the American Colonies. These are the words of Charles Pratt, Earl Camden, in the House of Lords.

Sir, you may ask us what is the present remedy, and how to tide over the existing difficulty and carry on the administration of the country. Before trying to cure the disease let us diagnose the root cause of the present disease.

They are two in number. The first is the currency and financial policy of the Government of India, dictated by the Secretary of State and his Council; and secondly, the much coveted Montagu and Chelmsford Reforms. These are the root causes of the whole financial bankruptcy of the Government. The currency policy has always been managed not with a view to safeguard the interests of this country, not with a view to build the financial policy in the interests of the poor tax-payer, but with entirely different motives, more to please and placate the vested interests in England. So, unless the Government of India is entirely made free from the leading strings of the India Office and their advisers, and unless the finances of India are managed and controlled not by the intelligent amateurs of the Civil Services, but by really great financial experts, preferably Indians, until then we have no hope of salvation from this mismanagement. It is an open secret that, as the result of such mismanagement of our currency and

exchange problems, we have lost to an extent of several crores, and our country has become the poorer to that extent. Sir, we shall next examine the other cause, namely, the Reforms. It has been said that the Secretary of State, with a view to avoid unnecessary heat and artificial agitation from the Services against the Reforms, was forced to sanction high salaries to the various Services, and this is the price the nation has to pay for these precious Reforms; and, if the vulgar report current in the bazaar circles may be repeated here, this is supposed to be a sort of 'hush money' for all these powerful Services. While the Public Services Commission recommended only 12½ per cent increase in the salaries, the Secretary of State, who is proverbially concerned about the poor tax-payer, has given them increases up to 50 per cent. as in the Medical Service. The pensions have been increased, the leave rules made much more liberal, allowances have been considerably increased. Block promotions have been largely removed and the annual incremental system applied, so that all officers can rise unconcernedly to their maximum pay. In fact, a new Arcadia has been created and if the world were peopled only by Government servants, things could not have been better. I believe, Sir, that, in considering the question of Civil salaries, one must have a sense of proportion and necessarily attempt to adjust the salaries to the means of the people. President Hardinge once said, while talking on this question of retrenchment

'The Government is under obligation to give the greatest service for the lowest possible cost.'

The salaries of the high officials of this Government, in all Departments in India, are very high in proportion to the average income of the people, who contribute towards the cost of the administration. Taking the Railway Services, we find the pay of the highest official (Agent and Manager) of a State Railway is Rs. 3,000, while the pay of an Indian adult employee is Rs. 10 per month, giving a proportion of 300 to 1. This is extraordinarily high in comparison with the proportion of maximum to minimum pay for corresponding posts on European Railways.

Regarding the increase of salaries, even a moderate paper like '*The Times of India*' wrote as follows

'It takes one's breath away to hear the most liberally paid Services in the world talk of their hardships and privations. The richest country in the world cannot afford to entertain the demands of people, who feel under no obligation to relate them either to the capacity of the country that employs them or to its other needs of a genuine and crying nature. In this country the lowest ranks of the Services have been paid less than a living wage and they are the hardest hit by the rise in prices and other adversities.'

In fixing the salaries one should have in mind the dictum of Prof. Marshall who says :

'It may make little difference to the fulness of life of a family, whether its income is £1,000 or £5,000 per year, but it makes a very great difference whether the income is £30 or £150, for with the £15 the family has, with £30 it has not, 'the material conditions of life.'

This dictum has so swayed the minds of the legislators of the West, that in every country constant attempts are being made to do away with inequalities of wealth. In India, not only are we far from this ideal of Government, but those in power seem to be so obsessed with their own needs that the Biblical parable has come to be true. Sir, let us next compare how the various Services in different countries like England, Canada, Australia, South Africa, United States of America and Japan are paid, and we will find a very good case for an all-round reduction of salaries. It is well-known to you and it has often been pointed out that the salaries of the Civil Services, as it stood before the present increases, are higher than anywhere else in the world, and that a District Collector draws more pay than the permanent Under Secretaries in England. At present, an Imperial Executive Council Member draws £5,333, whereas an important Cabinet Member in England draws £5,000 including the Premier. A Provincial Executive Council Member draws a salary of £4,266, a salary almost equal to the salary of two other Cabinet Members like the First Lord of the Admiralty, and then twice the salaries of four or five other Cabinet Members like the President of the Board of Education or President of the Board of Agriculture. The Prime Minister of Canada draws Rs. 3,000 per month, and other Ministers Rs. 1,750 per month. The Deputy Ministers and other heads of Departments get from Rs. 760 to 1,500 per month. In Australia, the Prime Minister draws Rs. 2,625, his Ministers Rs. 2,062, and his Secretaries and other heads of Departments from Rs. 875 to 1,875 per month. In New Zealand, the Prime Minister draws Rs. 2,000, other Ministers Rs. 1,250 and other heads of Departments Rs. 875 to 1,250 per month. Now, to go to South Africa, where the officers receive more pay than in other Colonies, the Prime Minister draws Rs. 4,375, his Minister Rs. 3,126 and the heads of Departments Rs. 1,125 to 1,875 per month. Then

to come to a Colony next door—Ceylon, the pay of the higher officials range from Rs. 812 to 1,875. In the United States of America, the Secretaries of State get Rs. 3,000 and the heads of Departments draw from Rs. 625 to 1,500 per month. In Japan, Sir, the Prime Minister gets about Rs. 1,300, the Ministers of State Rs. 900, the Governor General of Korea Rs. 900, and the other heads of Departments about Rs. 800 per mensem.

In the face of these figures, what shall we say, if there is still a cry in the interested quarters for more pay? Let me remind the Secretary of State, who is responsible for these increases, to remember the dictum laid down by such an eminent economist as Prof. Marshall.

Sir, to solve the present problem and to save the country from the grave financial peril with which she is faced, there is only one honest and straightforward course open. First, a definite policy should be laid down to Indianise all the Services, both Civil and Military, within a definite period, say 10 years; then immediately the pay of all the Services to be reduced to the same level as is found in all self-governing Colonies, consistently with the comparative national wealth of the country and its financial resources.

The Honourable Sir Malcolm Hailey (Finance Member): It will be imagined that I have some difficulty in finding the right line of reply to the remarks which we have heard for the last two days; for, Sir, the Assembly has all the high explosive ammunition, and I, after meeting the shock of its concentrated attack and with what nerve I can still command, am left to reply to it with my small store of small arm ammunition. But, Sir, I am not dismayed, for I maintain that the result of the debate of these two days has been on the whole to confirm the main position which I took up in the Assembly on the 1st of March last. What are the main lines of attack on that position? This is—we know it only too well, and we lament it only too keenly—this is a year of deficit; it follows three years of deficit; and it has been argued here to-day that a succession of deficits of this nature, amounting to 90 crores in all, shows radical extravagance on the part of Government. Is that really so? How, in fact, have these deficits been made up? I remind you that they have been accumulated during 4 years. One cause has been the heavy adjustments still due on account of the Great War; even up to last year we were still paying for the stores that had reached us in 1915-16.

A second cause has been heavy adjustments on account of expenditure outside India, such as expenditure on Persia; and I may remind the House—the fact has been published elsewhere—that on Persia from first to last we have expended no less than £6 millions. A third cause of expenditure has been the Afghan War. A Government may be as careful as you will and it may be as economical as you will; but, when its territory is invaded, is it to say to the invader, 'Stay; I have made no Budget provision for meeting you'? Is that to be its only argument? Of that 90 crores, no less than 23 crores was incurred on account of the Afghan campaign. Then we have Waziristan. The policy of occupation of Waziristan has been attacked to-day. As my friend, Mr. Bray, pointed out so impressively, that policy of occupation was dictated by far other motives than the desire of aggrandisement or the prospect of acquiring a mineral-bearing territory. But, leave aside for the moment the policy of occupation. Before the policy of occupation was initiated, an expedition was necessary for quite other motives than those of occupation—I mean for actually dominating a tribe who was still then in the process of raiding British territory. The expenditure on that also has to be taken into consideration as a component part of our 90 crores of deficit. Then take another item: heavy interest charges on account of expenditure incurred during the War, including the £100 millions that was granted to England. Let me take another item. Most Members here are interested in the finances of the provinces and may well be so; I ask them to realize that Central revenues are now passing over to the provinces something between 11 and 12 crores annually, and this again has to be taken into consideration when you judge of the manner in which our deficit of 90 crores has mounted up. I hold that, under no species of showing can you argue that that 90 crores of deficit in itself is a sign of gross extravagance on the part of Government. I admit that certain Members have argued with a somewhat wider range; they have stated that we never should have incurred the danger of deficit had we in the past shown due economy in administration and generally that our scale of expenditure for years has been too high. That is a charge which goes far back. Mr. Samarth took it as far back as the East India Company; Mr. Reddi, I understand, thought that all our woes were due to what he called 'our precious Reforms'. But the charge is that somewhere between these dates our expenditure began to assume a scale which the finances of India would not and could not bear. It is difficult for me, speaking late in the evening now,

to counter that charge in full. But what are the components of it? You have first the charge that our military expenditure has throughout been in excess. May I confine my answer to our own period? Our military expenditure now, high as it may be, does not reflect any increase in our combatant troops; it actually reflects a reduction in our combatant troops. Then, as regards the civil expenditure; we have heard many criticisms here regarding its scale; but I have heard few criticisms directed against the extent and scope of the Services which we carry on or which would indicate that branches of the administration should be radically reduced or abolished. Criticisms indeed really centre on one point, namely the pitch of salaries. Now, whether those salaries are too high or not, one point is clear, that the gross salaries paid to Imperial Service officers in the employ of the Central Government are not in themselves so immense a sum that, even if you were to reduce them to what is called an Indian standard, you would have effected an economy which would have seriously or substantially reduced the deficits of recent years. The fact is, of course, as Sir Montagu Webb pointed out, that the deficits of the last few years are due to quite other causes than the wild extravagance of Government. We have been told that Government has been 'drifting along, spending money thoughtlessly, it has been spending *ad lib*,' that this is 'the result of years of financial profligacy,' and that for years Government has been 'self-complacent and impervious to argument with regard to expenditure'. Yet one great reason for the deficits of the current and coming years is that we have, with falling revenues due to a depression in trade, had to meet a great increase in the cost of administration. But that increase in the cost of administration has not necessarily been on general administrative Services; it is mainly in our commercial Services. Dr Gour, when he argued the case, pointing to the great increases that have occurred, chose somewhat unhappily the case of the Railways, Posts and Telegraphs, Opium and Salt. Now, a very small proportion of the extra expenditure there has been incurred on the pay of our officers. It has nearly all been incurred first on actual working expenses, such as coal and the like, and secondly, on the pay of the subordinate establishments. I would remind this House that the pay of the subordinate establishments more than once formed the subject of discussion in the Legislative Council, and that in the Post and Telegraph Departments the great increases that we were obliged to make were the results of Committees appointed for investigating the question. As to the great increase in the cost of the subordinate establishment of Railways, what is the proof that the pay of Railway establishments is excessive? Are those establishments living in such luxury and contentment that we never hear of strikes and that we are free from economic trouble? I defy any Member here to say that, in the administration of our commercial Services, we have been unduly extravagant, and it is the falling off in the revenues of our commercial Services, owing to the increase in the cost of our subordinate establishments, that has very largely contributed to our current deficit.

So much for the charge of general extravagance brought against Government. All Governments are perhaps a little extravagant; it is difficult to get the same standard of economy as in a commercial firm. That I admit. That there has been an extravagance in the management of Government affairs and particularly in the large Commercial Departments which would justify the language that I have quoted to you this evening, that I do not admit, and nothing that we have heard here seems to afford any proof of it. In any case, it is obviously incorrect for any one to tell us (as we have been told to-day) that our extravagance has resulted in so injuring our credit that we have to raise our loans now at 7 per cent., whereas in the old days we used to raise them at 3½ per cent. What an argument to use on a Budget debate at what rate is the rest of the world raising its money! Does it show that our credit is lower than the credit of other countries? Our credit stands far higher than most; it stands on an equality with the best.

And now, Sir, for the second of the propositions which engaged us on the 1st of March. Admitting that we have a deficit, are we to leave it uncovered or not, or to what extent are we to leave it uncovered? There were very few Members who ventured to suggest that we should leave the deficit largely uncovered. I know that Sir Deva Prasad Sarvadikary did not look with apprehension on an uncovered deficit of 10 or 12 crores.

Sir Deva Prasad Sarvadhikary : No. I suggested other means not yet challenged.

The Honourable Sir Malcolm Hailey : I am only too glad that the Honourable Member is not a party to such a financial impropriety and by some means or other would close up the deficit. However, the proposal to leave a

large uncovered deficit did commend itself to one or two Honourable Members whom I prefer not to mention, for, Sir, in my own mind and I think in the mind of Sir Montagu Webb, an old and experienced student of finance, they are heretics and nothing else. You cannot, for the most obvious reasons, afford to contemplate carrying on the next year with a large uncovered deficit. Sir Frank Carter pointed out the great difficulty we were under in regard to the amount of our floating debt; I ventured myself to speak at some length on the 1st of March on the same subject, and the danger of increasing it has been recognised by the Press throughout India. There is general agreement that it is not a practical proposition to leave your deficit uncovered, for you will not be able to finance it except by the device of issuing unbacked paper currency—the most dangerous thing that any country can do. I need not perhaps labour the question, at the same time I do not wish to exaggerate it. I do not wish to fall into the same error as my Honourable friend, Sir Vithaldas Thackersey, if he will allow me to say so—for he really exaggerated the difficulties that lay before us in financing our floating debt. In the figures which he gave the House, he took the whole of our Treasury Bill transactions for the issuing year as a gross amount whereas all that we have to take into account is the net outstanding at any particular time representing our actual debits to the public. Well, Sir, there is then a very general agreement that somehow or other that deficit has to be closed up. It is in the steps necessary for closing it that our differences begin. Now, if I may take the almost universal verdict of the House, the one and the essential way of doing so is by the reduction of expenditure. *Two or three Honourable Members:* 'The only way'. I do not gather from what I heard that they expect any great amount from a reduction in civil expenditure. I myself have hopes of some reduction of civil expenditure as a result of the committee which we shall appoint. I am by no means without confidence that we will be able to effect reductions which will benefit us in the long run. But, as I said before, I do not think they can have any immediate or very substantial effect on our deficit. The device which commended itself to the House was undoubtedly this, that we should effect a reduction of something that was estimated in various quarters as from 20 to 25 crores in our Military Budget. We were asked by Dr. Gour whether we were, or whether we were not, prepared now and at once to enunciate to the House a policy in consonance with the principles laid down by the Brussels Conference, namely, that the military expenditure should not exceed 20 per cent. of our revenue.

Now, on that point, I should like to make an explanation. It was suggested that it was my duty to justify to the House the extent of military expenditure, that it was my duty to justify on behalf of Government the statement that no substantial reductions could be made in the present year. It was suggested by Mr. Kamat that the House could not assent to be dictated to by His Excellency the Commander-in-Chief. The exact position in this respect is that His Excellency the Commander-in-Chief speaks in this matter as a Member of Government, not as the highest military authority, as he undoubtedly is, but as a Member of Government in charge of the Army Department. He, in speaking (and, if I were to speak on the same subject, I could do nothing more or nothing less, can announce only the decision of Government. Do not let anyone here suppose that the decision of Government in regard to military expenditure is merely a decision of the military authorities. It represents the decision which Government has been obliged to arrive at, after weighing all the factors of the present situation, after allowing every regard to the necessity for economy, and the decision is that no substantial or effective reduction of combatant strength is possible in the present circumstances. You have heard His Excellency the Commander-in-Chief on the subject. It is unnecessary for me to add anything, save to make it clear on behalf of all my colleagues here, that it is impossible to meet the demand put forward by the House and to offer to reduce the military expenditure in this year by the 20 or 25 crores that we have been asked to cut down. (*Mr. Rangachariar:* 'Make a decent beginning.') (*An Honourable Member:* 'Let it be ten.') I do not know whether my friend Mr. Rangachariar's decent beginning would suit the feelings of other Members or not. I can only say that the sum which we have put down in the Budget must remain the sum that we ask the House to pass.

Now, Sir, how difficult the problem is is shown by the fact that many other expedients have been offered to us in the course of this debate. I do not think I need go into them all. I do not think, for instance, that I need take up the question of premium bonds, for, however successful that controversial expedient would be, it might ease our capital position, but could not ease our revenue difficulties or reduce our deficit. Nor need I go into the question of contributions from Indian Chiefs. Such small sums as we now take from the Indian Princes are based on treaties of many years' standing

and I could not ask the House to tear those up and demand more. Nor will I discuss the value of the suggestion that we should break up the Permanent Settlement, for, if it went into the limbo to-morrow—another scrap of paper—the Provincial Governments would take all the profits and the Central Government nothing. Mr. Shahani suggested that the remedy for our troubles was a Gold Standard proper instead of the broken down Gold Exchange Standard. Sir, would a Gold Standard at the rate of 1s. 4/7. to the rupee (supposing this feasible) make any difference at all except to the form of our Budget? Obviously not; however desirable that measure might be in itself, our revenue position would at the end be exactly the same as at the beginning. Now I come to what I say it without any disrespect to the speakers who have tried to help us with their suggestions and criticisms—is a somewhat more practical proposition. Sir Vithaldas Thackersey would reduce our deficit by revaluing the Paper Currency Reserve and thereby reducing the interest that we pay to the Paper Currency Reserve for the securities held by it. Revaluation would, of course, Sir, involve our fixing a new standard of exchange, and that is no easy matter, as I think the House considered the other day; but, moreover, revaluation would not in itself affect the great saving that, I think, he anticipates. A revaluation of our Paper Currency securities would make a difference of about 15 crores of rupees, and it is the interest on that 15 crores which would come to the assistance of our revenue position and no more. Of course he might go further and demand (as the Press in some quarters has demanded) that we should now alter our law of September, 1920, and cease to earmark to the Paper Currency Reserve any interest on our *ad hoc* securities. That is a matter which must receive our consideration; I can announce no immediate decision on the subject. Then, Sir, Sir Vithaldas Thackersey would further reduce our revenue deficit by paying from Capital our Railway annuities. That is again a question which has been discussed for some years and the decision in 1907 was that they should be paid from Revenue.

Sir Vithaldas D. Thackersey: At that time it was only less than a crore.

The Honourable Sir Malcolm Hailey: It is only a crore and 17 lakhs now. The interest on those annuities, which, of course, must be paid from revenue, is 4 crores. However, that is again a point which we shall have to consider. It has also been suggested to us that we should tax the import of gold and silver; Mr. Spence and Haji Wajih-ud-din proposed that we should tax gold and silver; Sir Montagu Webb proposed that we should tax silver only. I do not know if the House would desire that I should discuss the proposal for taxing gold. I do not know what would become of the future gold currency and gold standard if we taxed the import of gold. As regards the taxation of silver, Sir Montagu Webb said that the case was woefully mismanaged last March. I do not know if, when our Finance Bill comes on, he can manage to persuade us or the House to take a different view this year. It is open to him to do so; he will no doubt make a gallant attempt.

Those are the alternatives that have been put to us, Sir. Some of them would have a considerable effect in the reduction of our deficit; but even so they would still leave the main problem untouched. And so we come to the course which I proposed to the Assembly, namely, fresh taxation. Now, that took two avenues. I shall deal with them separately, as I did on the 1st March, and I shall deal with our critics briefly. The first measure proposed was to make our commercial Departments pay for themselves. In regard to Railways, our proposal is to raise the passenger rates. Various Members here have applauded the proposal, but applauded it only as far as concerns first or second or perhaps intermediate class passengers; they would not tax the third class passengers. That, Sir, may be a very democratic point of view but financially it is not. I am afraid, a very sound one, for the receipts from the third class passengers amount to no less than five-sixths of the total revenue from passengers. Then, Sir, as regards Posts and Telegraphs. We have heard again, as we heard last year, expressions of the sense of injury that would be felt in the country if we did away with the pice postcard or the half-anna envelope. There are many Members who say that they will under no circumstances agree to such a proposal. I can only put before them again the fact that the net loss on the Department in the current year is some 90 lakhs, and the net loss on the Department in the coming year is some 80 lakhs. Are they prepared to continue to run a commercial Department at a dead loss? Is that business-like, or is it fair to the general tax-payer to do so?

Then, Sir, as to the taxes we propose. They are many, and I am afraid the mere repetition of the list itself would be distasteful to the Assembly; I shall touch, therefore, on only one or two of the more salient points. Take, Sir, the cotton excise duty. Now, Sir, as Sir Montagu Webb said, we are of course perfectly well aware that the imposition of this duty will fall

ultimately on the consumer. We were prepared for this criticism. What I was not prepared for was to hear, from some of the advocates of the Bombay point of view, that excessive sympathy with the consumer which they professed in this House. (Laughter) I do not remember, Sir, that when the mills were making very large profits, they showed any very practical sympathy with the consumer by reducing their prices. That is not blameworthy: it is natural enough; Sir, of course, their prices are fixed (since they produce only 40 per cent. of the total consumption), mainly on those of the competitive article. If, therefore, we raise the tariff on the imported article, they will naturally raise the price of the home product; and the difference of 4 per cent. will be a present to them. But, suppose that we raised the import duty to 15 per cent and did not raise the excise by 4 per cent, would the consumer get his cloth any cheaper? Surely not; and it is hard to see that the raising of the excise will make any effective difference to the general consumer.

Now I do not wish to take up an attitude of partisanship here at all. I regard our attitude on this subject as perfectly natural and perfectly reasonable. This has been denounced as a countervailing duty. The Members who have spoken have held up to us the far higher morality and the far more independent attitude of the Members of the Executive Council in 1891, who protested to the world against the imposition of the cotton excise duty at the dictation of England. They have told us in so many words that we ought to do the same. The facts, of course, are entirely different now to 1891. The cotton excise can no longer be described in any effective sense really as a countervailing duty, since there would still be a gap of 7½ per cent between the imported and the home-made article.

Mr. Jamnadas Dwarkadas: Why was Manchester jubilant?

The Honourable Sir Malcolm Hailey: I think it is easy to suppose that Manchester views the proposal with gratification, for they seem to have expected something very much worse. (A voice: 'They were angry last year.') Quite; that is perfectly true. They were upset last year; they are comparatively pleased this year. But I will not go further, Sir, and admit any implication at all that this step has been taken in the interests of Manchester, or in order that it may act as a countervailing duty, or that it is due to any dictation save that of our own necessities and our revenue interests. (Hear, hear.) I will not admit any implication of that kind, and I will brook neither here nor anywhere else any suggestion that I and my colleagues were influenced by any desire save that of making our Budget square and of raising as much money as we could from any source that seemed to us reasonable. (Hear, hear.) Why, Sir, how hollow is the suggestion that we were influenced in any way by the dictates or desires of Lancashire is shown by Sir Vithaldas Thackersey's own statement that the real enemy is Japan, not Manchester. Are you going to bring that further crime against us? Are we swayed not only by a desire to help Lancashire, but are my colleagues and I also swayed by some queer and mysterious desire to assist Japan? I have explained the reason why we proposed an addition to the cotton excise duty; it must stand or fall entirely on its own merits, purely as a revenue-raising device.

With regard to machinery, Sir, there has been much opposition here. I have been quoted, and no doubt rightly quoted, against myself. I said last year that I felt all the objections to raising the rate, and that is still true. I feel all the objections still; I do not like to see what in effect might in some circumstances operate as a tax on enterprise, and the expansion of industry. I would not myself have agreed this time to the proposal to increase the rates on machinery were it not for the fact that, as compared with last year, the prices of machinery have been very materially and very substantially reduced.

Now, Sir, I must not argue the rest of our proposals. I hope a time will come when we can take them one by one, argue them out, each of them on their own merits. But the House is asking me, in the face of the discussion we have had during the last two days, what are you going to do? Are you going to meet our demand that, before we go any further with this matter, you should agree to a very material reduction in the Military Budget. I have given what, I am sorry to say, is the only answer in my power. The sum which we have put forward must stand as our demand unless we can carry out a very considerable reduction in the number of combatant troops, and Government has decided that reduction in the number of combatant troops cannot be made. I cannot, therefore, meet the House in this matter. What then is to be the attitude of the House? We have been told by many Members that unless we can meet their requirements in regard to Military expenditure, requirements which they regard as wholly justifiable, they cannot be responsible for the Budget; they must wash their hands of it,

and dissociate themselves from any further stage of voting it. It is we who have placed this burden upon India, and we must take the whole responsibility on ourselves. Is that then to be the last word? After all our attempts, attempts just as genuine on behalf of the Government as on behalf of any one here, to bring the Reform scheme to fruition have we now come to the parting of the ways? Have you indeed decided that owing to the restrictions that have been placed upon you by Parliament in regard to the voting of the military budget, and owing to your sense of disappointment that those restrictions cannot now and at once be raised,—have you come to the decision that you will take no further responsibility for voting any single one of the financial measures which we propose for the coming year? Do you say if there is to be a deficit and if Government will not meet it by the definite measure you suggest, then let the deficit stand, or let Government certificate the necessary legislation to cover it, but that you cannot go to the country and say that you have been assenting parties to any measure that will help to reduce it? Well, if it must be so, I suppose it must be; but I do ask the House to consider one point, and to consider it seriously. The avenue for constitutional advance is that laid down by Parliament, and you can, unless you desire to attempt it by the force of arms, achieve no constitutional advance in any other way. Will the suggested attitude help you with Parliament or will it not? The Reforms have lately, I am afraid, though not through the fault of the Assembly, lost many friends in England. It is clear that some who were staunch supporters of the reform constitution for India when it was introduced have lately become somewhat impatient of its working and apprehensive of its results. (*A voice* : ‘No justification’) I refer only to the facts : I do not pretend now to go into the rights and wrongs or the reasons for what has occurred ; I only say that the fact is clear that you are now at some difficulty to maintain the whole of your friends in England. Are you now going to take an action which will reduce that number, and to the ranks of that irreconcilable section which believes that India is not, never has been and never can be, capable of working reformed constitution leading to full responsible Government? Our own course is clear. We, my colleagues on Lord Reading’s Government, have stood, are standing and will continue to stand for the steady progress of Reforms along the regular constitutional avenue which has been laid down by Parliament. Are you, the Legislative Assembly, going to do anything that will prejudice or retard the progress of that constitutional advance? (*Cries of ‘No’ and applause.*)

**PROCEEDINGS OF THE COUNCIL OF STATE ASSEMBLED
UNDER THE PROVISIONS OF THE GOVERNMENT OF
INDIA ACT.**

Wednesday, the 8th March 1922.

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

DISCUSSION ON THE BUDGET.

The HONOURABLE THE PRESIDENT We will now proceed to the debate on the Budget

The HONOURABLE SIR MANECKJI DADABHOY Sir, in rising to open the debate on the Budget, I must state that I find myself in a somewhat difficult position by the fact that I hold a seat on the Fiscal Commission. However, I wish to make it perfectly clear that whatever I say to-day in connection with this Budget represents my individual opinion on the subject and that whatever conclusions to which I may hereafter arrive in my capacity as a member of the Fiscal Commission will be wholly unaffected by what I say to-day.

Sir, I congratulate this Council on the opportunity it has obtained of speaking on this Budget. Perhaps after the discussion in the other House we may not materially add to the deliberations that have already taken place, but it will at least have this advantage, that the Finance Minister and the Government of India will know the point of view of the Members of this Council—the premier Council in India—and the light in which the taxation proposals contained in the Budget are received by this body.

In commenting on this Budget I speak with a heavy heart. I realise the Finance Minister's difficulties. I realise that during the last two years the task which he has been called upon to confront has been exceptionally heavy. I fully realise that no Finance Minister during the last 40 years has had such misfortunes to contend with as Sir Malcolm Hailey. I realise the difficulties of Government due to the depression in trade and the slump in business, and to the purchasing power of the rupee having fallen. I fully realise all these serious considerations. I fully realise that Sir Malcolm Hailey has had a most anxious time and that he has done his best to place a courageous Budget before the general public, without seeking cheap popularity. But when all this is said, I submit that it is all. I feel it my duty to state that the Budget as presented to the House is reactionary in its character; the principle underlying it is retrograde and unsympathetic; it is subversive of the industrial interests and the development of the country; and if this Budget is passed in its present state India will be oppressed not only with burdens which will be heavy in character, but which will permanently, or at any rate for a long time to come, affect the vital interests of this country. In framing this Budget Sir Malcolm Hailey stated that he had laid two principles before him. The first is that it caused the minimum of inconvenience and hardship to the tax-payer, and secondly, the minimum of disturbance to the general public and to trade. With both these propositions I respectfully differ. I join issue with him on both these points and in the course of my debate to-day I shall point out that the principles which he has laid down militate very severely against both trade and the interests of the general tax-payer.

Sir, there is one important feature of this Budget, the heavy increase in taxation. Coming on the top of last year's heavy taxation I feel that the country is not in a position to stand this additional burden. I feel, Sir, that all the available sources of revenue have been exhausted, and, coming as they do on the severe taxation of last year, I feel that the new proposals on the whole are of an oppressive character and need material alteration. This Council is always ready to support Government in its legitimate financial proposals, but I am afraid, Sir, as the Budget stands at present, Sir Malcolm Hailey will not receive the support of the non-official Members or their co-operation.

Sir, our able Finance Minister has in the presentation of the Budget laid down three alternatives. He has plainly told us that either we must cover the deficit, or reduce the expenditure or sanction fresh taxation; and Sir Malcolm Hailey has adopted the last alternative and asks this House to sanction the proposed taxation. Sir Malcolm is as human as most of us. I do not blame him for having adopted a course which will add revenue to the Government coffers. But then, Sir, the other side of the

question has to be seriously probed into. I shall in the course of my examination of the budget endeavour to be as brief as possible. The first question that has been put to us is that we must cover the deficit. I acknowledge that on grounds of policy, on grounds of expediency, on grounds of statesmanship, it is always desirable to adopt the course of covering our deficit, either by a reduction of expenditure or by increased taxation. But, Sir, we are passing through abnormal times; the state of our finances is critical. I must not be understood to say that I am entirely in favour of leaving the deficit uncovered. I would only remind my friend, Sir Malcolm, of what the position in Europe now is. What is happening there? Can he point out any country, with the exception of England, which during the last two or three years has covered its deficits? France alone has done so by putting the amount which she expects to receive by way of reparation from Germany on the credit side, though recovery of reparation might as well be dropped. I do not lay great stress on this point. However, as the Budget stands, Sir Malcolm Hailey though anxious to cover up the deficit, has actually left a deficit of nearly three crores of rupees uncovered for the next year. That deficit still stands and the proposals contained in the Budget do not make good that deficit. Therefore, whether the deficit is three crores or seven crores or more, it will not make a great difference in an exceptional year like this.

Sir, the next proposal lies before us in an alternative form. Are we going to reduce expenditure, or are we going to accept additional taxation? Sir Malcolm has stated that it is not possible for the Government of India at this stage to reduce the Military expenditure, to reduce the Civil expenditure, to reduce the enormous burdens which are a drain on our finances. He has stated that at present there is no other alternative for this Council but to submit to his Budget, to accept cheerfully and readily a further instalment of taxation. I shall come to the question of taxation presently. But I beg to point out, Sir, that I feel, despite what I have heard from His Excellency the Commander-in-Chief, I feel that we cannot allow our Military expenditure to stand in its present condition. Sir, during the war we were definitely told by Finance Minister after Finance Minister that we had to meet the Military expenditure out of sheer necessity, that this expenditure was at best of a temporary character, that this expenditure would cease when normal conditions were restored, and that the country would be absolved from the crushing burden at an early date. We have looked in vain for the fulfilment of that prophecy. Our Military expenditure has increased by leaps and bounds. Our Military expenditure at present is 62 crores, half the revenues of the State. I ask my Honourable Friend, Sir Malcolm Hailey, to enlighten us what country in the world spends 50 per cent. of its gross revenue on Military expenditure?

The HONOURABLE MR. E. M. COOK: Provincial revenues should also be taken.

The HONOURABLE SIR MANECKJI DADABHOY: It is a mistake to take into consideration provincial revenues. I think that is a bogey. My friend, Mr. Cook, seriously tells me that I omitted to take into consideration the provincial revenues. Sir, I do not think he is serious. It might be perhaps logical, but it is not fair, in calculating total Military expenditure, to take our provincial revenues into consideration. The bulk of our provincial revenues are spent on provincial appropriations, are spent in the provinces, and in considering a matter of this sort you have only to look to the Imperial revenue as it stands. On the other hand, Sir, of the 90 crores of debt which we have incurred during the last four years, nearly 10 or 12 crores have gone to Provinces as contributions in the shape of relief. Sir, I must say, and with great respect to His Excellency the Commander-in-Chief, and I feel it my duty to point out that the country at large, the Council at large as a body, is not in agreement with His Excellency regarding the Military policy. I have heard a great deal said about the propriety of our Military expenditure. Sir, there are ways of reducing that expenditure, but I do not propose to-day to go into the labyrinth of Military expenditure, to point out the various details where economy can be safely and effectively practised, where retrenchment could take the place of extravagant and liberal expenditure. I wish to point out that, despite what His Excellency has said, there is scope, tremendous scope, for retrenchment. Sir, we are told that this Military expenditure has been necessitated by our frontier policy. We are told that this Military expenditure has been necessitated by our occupation of Waziristan. His Excellency the Commander-in-Chief is aware that there have been always two opinions on this question. India has resolutely, to my knowledge, for the last 25 years protested against the policy of unnecessary aggression and annexation. India has strongly protested and made it clear that she cannot bear crushing Military expenditure. His Excellency the Commander-in-Chief has told us plainly that we need not look forward for a

decrease in this Military expenditure and has warned us that the Military expenditure next year will be much larger than what it is this year. If I am incorrectly representing His Excellency, I am very sorry, but that is what I gathered yesterday. He stated at any rate that the expenditure next year would be as much as this year. Sir, I understand that this expenditure is inevitable and that we will have to increase this expenditure, at any rate, for a series of years, that there is no hope or prospect of seeing any diminution in this expenditure as we are now engaged in an attempt to pacify the fanatics of Waziristan. I submit that we might as well make an attempt to pacify the band of tigers in the jungles of Sundurbans (Laughter). I submit, Sir, that this policy must, as early as possible, be brought to an end. There is only one alternative left. We must come back to our original boundary line. We must come back to our natural boundary line. We must set back our frontier boundary. We cannot year after year spend money, the tax-payer's money, on the off-chance of civilising and controlling these fanatical tribes of the frontier. Sir, there is only one consideration, one alternative, and that is, we must evacuate those frontiers which cost us such large sums of money and where expenditure cannot be restrained. Our friend, Mr. Denys Bray, than whom there is no frontier officer of such unique experience, has told us

The HONOURABLE THE PRESIDENT. Order, order. The Honourable Member cannot refer to the debates of the other House save in so far as they refer to speeches of those Members of the Executive Council who are entitled to speak in both Houses. The reason of the ruling is obvious.

The HONOURABLE SIR ARTHUR FROMM. May I ask, Sir, what time each Member of the Council will be allowed to speak during this debate?

The HONOURABLE THE PRESIDENT. I prescribe no time-limit. I trust to the good sense and consideration of the Members of the Council who, I am sure, will not take an undue amount of time. I must say, however, that I should regard anything above half an hour as transgressing

The HONOURABLE SIR MANECKJI DADABHOY: Sir, in view of your ruling and the limited time at my disposal, I feel I will not be able to do justice to many contentions raised in the budget, but I will endeavour to place some of the most important arguments before this Council. The next question is that of the Excise duty. This has been justified by Government on the ground that the import duty has been raised to 15 per cent. Sir, I should have thought that after the statement made by Lord Hardinge in the Imperial Legislative Council, after the assurance given by Sir William Meyer, as the Finance Member, after the statement made by the Right Honourable Mr. Montagu in answer to the Lancashire deputation in March last, that the Government might have left this controversial subject severely alone. Sir Malcolm Hailey says that he has not overlooked the contentious history of this duty. If, Sir, he has not overlooked the past contentious history of this duty, why has it been thought fit now to increase it? Sir, this duty as it stands, perhaps might not unduly affect manufacturers, but what I contend is, that this Council times out of number has made its position clear in respect of this duty. The country objects to this duty not as a harassing or oppressive duty, but as one wrong in principle; it is wholly indefensible, and it cannot stand. Sir Malcolm Hailey as a Finance Minister knows that no European country in the world has ever gone in for a tax of this nature. During the war, when the resources of England were attenuated; during the war, when England was almost verging on bankruptcy, it never for a moment dreamt or took into its head the idea of putting a duty on cloth manufactured in Lancashire; and, Sir, if such an attempt had been made by England or any Government, that Government would not have survived for twenty-four hours.

Sir, at present there is no justification for this duty. Sir Malcolm Hailey in his Budget says that he has endeavoured his very best not to change the character of the duties and also to see that the *inter se* relations between the various duties are maintained. I beg to point out to him that it is not so. The very fact that an additional duty on Stores has been put; the very fact that the duty on Machinery has been increased; the very fact that the Income-tax has been raised, destroys the character which he alludes to, and the *inter se* relations between the various duties which he has claimed to maintain. Sir, there was no justification for the increase of this duty. The general tariff of 15 per cent. was raised as a general tariff, and if that was done, there was no necessity to isolate the item of Excise duty and to raise this duty; and the very fact that 4 per cent. had been increased and the present Excise duty has been brought to 7½ per cent. conclusively proves and establishes the desire of Government to maintain the countervailing character of the duty to which we object. It is wrong, Sir, in principle, and this duty is indefensible from any point of view.

Sir, the Excise duty is a tax on production. It is not a tax on profits. The Millowners of Bombay do not mind bearing their fair share of the burden of taxation, it does not affect them in the least if this duty is maintained. If you allow it to remain as it is, it will be simply passed on by the manufacturers to the consumers. The Finance Member thinks that this duty will not be oppressive, but I beg to point out that it will be very oppressive. It will eventually tell upon the industry. The Bombay Millowners will prefer to go in for another item of taxation than this. As regards the present prosperity of the mill industry, my Honourable Friend forgets that the industry has gone through many cycles of adversity. If he takes the average profits for the last twenty years, it has not been more than 10 per cent. If you bear in mind that the present prosperity of the industry is merely ephemeral, that it is due to war causes, if you bear that in mind, this increase in duty is not justifiable. Let me also bring to the notice of the Finance Member that the Millowners of Bombay have not been so selfish as he thinks. What they realised in the last three or four years they gave solidly in a body to help your War Loans (Hear, hear). But for the Bombay Millowners' help and assistance your position to-day would have been difficult. I say there is a limit to one's endurance. You still have a loan of 25 crores of rupees to float this year, and you will have to depend on the Bombay Millowners for their help and assistance. You will have to look to them for the supply of the major portion of the money. The whole of the industries in this country are lying low; the industries of the country are financially suffering; the jute trade is ruined; other trades are ruined. There is only one trade at present, the mill industry of Bombay, and I warn the Government not to throttle that industry. That is the industry which supports the people, which supports labour, and it will be of great assistance to Government in its financial policy.

Sir, I likewise say to my friend, Sir Malcolm Hailey, that the tax on Machinery is wholly unjustifiable. The tax on this has been raised from 2½ per cent. to 10 per cent. This sudden jump is to be regretted in face of the assurance of my friend, Sir Malcolm, last year, that this increase in duty was temporary and undesirable. Sir Malcolm thinks that this duty is justified at present by the fall in the price of machinery. Does Sir Malcolm Hailey know when this fall commenced? This fall commenced only in last August, and while the prices of machinery increased by 300 to 400 per cent., the reduction last August has only been 20 per cent. in some cases, and 30 per cent. in others. This small decline in price, therefore, does not affect the question. When Sir James Westland discussed this matter he assured the Council that the import of machinery would be allowed free for the industrial development of the country. Is this the time when India is struggling to develop her industries, when India is struggling to make her position felt, to bring prosperity to trade, that this heavy duty of 10 per cent. be imposed? I ask Sir Malcolm, is this measure consistent with his preliminary statement that it will cause the minimum of hardship to the trade? Is he not aware, Sir, that contracts have been made by people for millions of pounds of machinery during last year? That machinery is coming out, and I should have thought that in all propriety, in all fairness, the Finance Minister would have at least exempted those contracts which were closed on or before the 28th of February last. What is the result of this policy of taxing machinery? It is a charge on capital. We do not mind a charge on profits, but by this charge on capital you are going to handicap the trade. You are compelling companies that have been floated, to wind up their concerns. You are compelling other companies to borrow money and have a capital debt at the very start. I ask the Finance Minister seriously to consider his position and see whether it is right and fair to enhance the duty in view of his statement deliberately made in this Council twelve months ago.

Sir, about the Salt duty I will only say a word. I agree with the Finance Minister that in its incidence it will not be felt. It only works out at 3½ annas a head a year. That may be so. I will only ask him whether he thinks that in the present political and economic condition of India this is a wise tax to levy. It is for the Government to decide. I would only warn them that they are taking an uncalled for and unnecessary risk in this matter.

Sir, with the time at my disposal I cannot refer to many other matters, as other Honourable Members have to follow me, but I want to assure the Honourable the Finance Member that we will give him every help and assistance if Government makes an earnest attempt, if Government makes a serious attempt, to recast this Budget and remove oppressive and unpopular taxation. We are ready to bear our share of the burden, and I would suggest to him a few sources of income which he might consider. It would be advisable to remove this increase in Excise duty and substitute in its place increase in the Corporation tax from one anna to one and a half anna. If the Corporation tax (super-tax payable by companies) is

raised he will get more revenue than he expects to get from Machinery and this Excise duty combined. He will not be doing any injustice to any particular trade. He will not be doing injustice to one particular line of business. Sir, the principle of putting a duty on yarn has been admitted by Government. This was the duty Government was advised last year to impose. The Government have now decided to put a 5 per cent. import duty. If the principle is admitted, why confine this duty to 5 per cent. and not increase it to 15 per cent? Why not bring it within the general tariff of 15 per cent? The argument that it will affect the loom industry of India is absolutely unfounded. Those who know anything about it can assure my Honourable friend that as regards the imports of yarn they are generally of a superior count, and that only one-seventh or one-eighth part of it is used by hand-loom weavers. The rest is all consumed in the power loom industry. Sir, I am against export duties of all sorts, except in articles in which we hold monopoly, and I will never agree to an export duty so long as I am in the Council; but if the financial position of Government necessitates the raising of revenue, my submission is that it will be advantageous, as a special measure, to lay a moderate export duty on oil seeds, teak, bones and manure, and also a moderate duty on wheat equivalent to the duty on rice. I also suggest that the foreign imports of coal should be taxed. What justification have we got to allow foreign coal to be imported free? Except the coal required for bunkering purposes, all imports of foreign coal may be taxed with advantage. You may as well levy a port tax . . .

The HONOURABLE THE PRESIDENT: The Honourable Member does not seem to be bearing in mind the remark which fell from me a little while ago.

The HONOURABLE SIR MANECKJI DADABHOY: I am just closing my remarks, Sir. About 10,000 ships annually enter the harbours of India; the shipping industry has done very well during the War, and if a small tax is put on it, I don't think it will considerably affect it.

Sir, the position is clear to my mind and I ask Sir Malcolm Hailey, I request him with all earnestness, to see his way to revise and re-cast the Budget. We feel that we cannot support it as it stands. When fiscal power has been given to us to a certain extent, I say we shall be humiliating ourselves in the eyes of the world if we accept this Budget without protest and without opposition; but I assure him of our support and our willingness to meet him half way if the Budget is re-cast on sound principles, on principles of justice and fair play which will not involve serious additional taxation on the poor and unprotected.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I desire, if I can, entirely to dissociate myself from the atmosphere of gloom with reference to this Budget which has been the atmosphere prevalent this morning, and if I were allowed to say so, I would say in the other place also. Our expenditure has gone up of course. What else could we expect? The year has been a thoroughly bad year commercially all over the world—as bad I suppose as the world has ever seen. And how could India expect to escape? In India also we have had a bad year politically. Sedition has been rife. There has been a political rebellion within our borders. There has been a series of political strikes with no economic justification. All these things have to be paid for. There has been in the Budget a very heavy loss on Exchange. This could not be avoided. In addition to all this, War prices are still with us. Everything that Government has to spend costs more than it did. How on earth, under these conditions, could we have expected the expenditure side of the Budget to show a diminishing ratio? I cannot see that, as regards the expenditure side of the Budget at all events, the slightest blame can be attached to the Finance Department. It is true that in the course of the debates in both Houses suggestions for Retrenchment Committees were not received by the Government with the willingness which we might have expected; but still from our own personal experience as people who live in this country we know that everything is starved; we know that everything has been cut down to the very smallest possible margin; we know that public works, which are absolutely necessary for the improvement of each Province and of the Central Government, are being cut down; we know that the whole great mass of Government servants consider themselves underpaid and with some justification, and we know that every protest that they put forward, every petition they venture to submit, is met with the reply 'no funds.' This being so, unless people can suggest absolutely specific instances, we must acquit the Government of extravagance. (Cries of 'Retrenchment.') Where you are going to get retrenchment, I do not know; it will at all events have to be the work of a very great expert to find out.

Next, I would turn to the Army. There has been a general cry for a reduction of the expenditure on that. We are told commonly that it absorbs more than 50 per cent. of our revenue. I do not agree with that. I

consider that the sphere of the Army is spread over the whole of the provinces and that the Army expenditure, if we can divide it up into percentages, should be spread over the whole revenue available. If we do that, I shall be surprised if we find the figure much exceeding 30 per cent; 30 per cent. may be an exceptional figure, but we live here in exceptional times. We have not only to protect the inhabitants of our political zone from the wild raiders of Waziristan, for which so strong a case was made by His Excellency the Commander-in-Chief yesterday, but we have also to protect our peaceful citizens from marauders in our midst. As long as the present political situation continues in India, as long as we are in danger of rebellion and sudden political strikes, it is essential that we keep an Army fit to cope with any situation that may arise at any moment. That being so, my strong view is that on questions of Army expenditure, we must be bound by the joint deliberations of the Civil and Military authorities which give their verdict through the Central Government. Any sum cut off the military budget which is considered necessary by the Central Government is perilous to the individual who desires to pursue his peaceful avocations in this country.

A deficit, of course, there was bound to be, and the Honourable the Finance Member has in his long, interesting and instructive speech dealt with most of the possible means by which this deficit could have been met. Apart from taxation, the three obvious methods which occur to one are, first of all, the printing of notes, which I do not think will find a single supporter here; secondly, utilising the Gold Currency Reserve, which would be a last resort which I fancy also would find but little favour, and, thirdly, carrying a great deal of this deficit and relying upon the public to lend us the money to carry on with. I would not advocate carrying the whole of the deficit, and I am sufficiently impressed with some of Sir Malcolm Hailey's warnings that there are limits to the amount of money which India could borrow; but, in my humble opinion, he has been overcautious in his fears on this matter, and I cannot believe that, provided the Government of this country is strong, provided the Army is kept at the right figure, provided citizens are prepared to foresee for themselves scope for the peaceful pursuit of their business in India, the borrowing capacity of the country has as yet been at all fully exploited. I have not the exact figures with me, but I should doubt if the loans outstanding against this country were more than 600 crores. Of this, no less a sum than something like 450 crores are remunerative loans, loans sunk in railways, in irrigation works, not loans which we are going to consider very seriously when the question of the credit of the country comes up for discussion. If my figures are anything like correct, the debt standing against the credit of this country cannot exceed something like the small and paltry figure of 150 crores. What other country in the world, which has had to do with the war, can show such a balance sheet? Surely here must be an avenue for meeting, at all events, a portion of the deficit.

However, there is no question also that a large portion of the deficit will have to be met by excess taxation. If the Honourable the Finance Member has been a little hampered in his budgetting for extra taxation by the sitting of the Fiscal Commission, on which I have the honour to have a seat, in raising his general rate of duties from 11 to 15 per cent, he has, I think, escaped, though perhaps narrowly, the accusation of diverging from the principle of the revenue budget and turning it into a protection one. We will accept the 15 per cent. general rate as a revenue budget on the assumption that we are about at the end of the possibilities of the revenue budget in that direction.

With reference to the details of his Budget, I desire, in the first place, to associate myself most strongly and emphatically with the unanimous condemnation of the taxation of Machinery, Iron and Steel, and Railway Material. (Hear, hear.) The industrialisation of this country is perhaps the strongest cry of its people. Put it as you like, tell us, if you will, that the price has gone down 50 per cent, or 100 per cent, or 200 per cent, it does not matter. By taxing these things before you have available in India the machinery to provide you with all the things required for building up new industrial concerns, you are simply checking the progress of the country. I hope and trust that the Honourable the Finance Member will find it in his power to take this duty off altogether, but, if he does not, surely some one of our friends, at the time of the passing of the Finance Bill, will at all events succeed in carrying an amendment to the effect that any order or contract which had been entered into before the 28th February, 1922, must bear exemption. Otherwise, you are taxing the enterprising business-man of this country most unfairly.

I do not wish to spend much of your valuable time and I will not traverse very many of the items of taxation, but I must say a few words on the most vexed of all the subjects, namely, the Excise duties. Sir, in his treatment of the Cotton Duty problem the Honourable the Finance

Member has, if I may say so, adopted the methods practised by a medical practitioner of the old days. He has found a patient with a disease and he has been called on to prescribe. He has taken his bag with him and he has pulled straight out of it Gregory's Powder and blue pills, he has told the patient he must continue this course which, it is true, has been the course he has had before and he has been hating. All that he gets, however, is more Gregory's Powder and blue pills (Laughter), and more excise. Now, supposing the Honourable the Finance Member had been dealing with the matter as a Harley Street practitioner of the present day would, he would probably have approached the patient with a new remedy; he would have said:

'The medicine that you have been taking is an obnoxious one; do not persist in it; do away with it.'

He would produce out of his bag something sugar-coated, something containing the same real ingredients, but something which would
12 noon. do away with the words 'excise duties' and especially with the word 'countervailing.' Now, gentlemen, to leave this simile for a moment, there is no doubt that, apart from commercial objections to this tax, the real foundation is a sentimental one with which one must have great sympathy. At the same time, there is evidence to show that the present rate of divergence between the excise duty and the import duty is sufficient to allow prosperity to the Bombay millowner. (A voice 'Question') I am questioned about this. I would refer to newspaper reports of evidence given before the Fiscal Commission by some of the most prominent Bombay millowners. Why not therefore do away with excise, reduce the custom duties to 7½ per cent, and, taking the example of our friends in Japan, bring in a consumption tax, a purely temporary tax to meet this emergency, a tax which would have to be re-introduced every year, a tax which would disappear immediately the present financial stringency was over. In this way we should meet the sentiment of our friends. We should, I think, not unduly damage the industry and we should also meet the Finance Member's point of view and bring him in the revenue which he says he must have. This consumption duty, I need hardly tell you, is a system adopted in Japan and is levied on both import and export articles alike. It would hit with exactly the same force the cotton going out of the mills, the cotton coming from Lancashire and, what is most important of all, the cotton coming in from Japan. I put this forward as a serious suggestion, by which it is possible that the various divergent opinions about this cotton duty might be brought into union.

The system of consumption duties might, I think, also be applied to the kerosene tax and the salt tax. Why not call the two extra calls which you are going to make on these two industries, also a consumption tax? My point is, as I have said before, that you would bring it into unity with your regular tax; you bring it in as an emergency measure, realising that it is not desirable, but realising also that you have to get funds for the present. An emergency measure is one that you will take off at the first possible moment, but the same hope cannot be held out for any tax which gets into the actual tariff.

One more item and I have finished. There is one other point which must have struck everybody, namely, that the commercial departments of the Government are working at a loss and taxation is necessary to bring them into a position of solvency. Sir, I could not expect to carry the House with me in the suggestion I am going to make, but it is one made repeatedly by responsible people all over the world. Is not the remedy the denationalisation of these services and the putting of them on a commercial basis? It is almost an accepted fact that the function of Government is not to carry on a business. Railways, Posts and Telegraphs, like Telephones, are a business. I suggest that, unless it is possible in the next few years to get these commercial departments into a solvent state at a lesser charge to the tax-payer and the railway traveller than is at present the case, this question of handing them over to commercial people to manage must be seriously taken into consideration.

The HONOURABLE MR. SETHNA: Sir, within a few days we shall be crossing the threshold of the new official year 1922-23. It will be the second year since the Reforms have come into existence. We are not sufficiently clairvoyant to peer into the future and discern what Fate actually has in store for us. My Honourable Friend, Sir Edgar Holberton, has just now told us that he would dissociate himself with any picture of gloominess in regard to the coming year. On the contrary, the picture portrayed for our benefit by the Honourable the Finance Member is certainly very gloomy and shows that the coming year is to be financially gloomier than the one which is soon to end. It is a matter for regret that the Reforms should have been heralded in with this terrible set-back. But the situation has to be faced and ways and means found whereby in the

years to come instead of deficits we may have surpluses, so that the country may advance faster and on healthier lines the nearer it approaches complete self-government as an integral part of the British Empire. Taxation has been at its heaviest in all the European countries since the war and after; but during the last few months there has been a tendency everywhere in Europe to reduce taxation as far as possible, and the attempt, as we know, is meeting with much success. It is a pity, therefore, that just at this time India should be compelled to raise its taxation and to raise it in a manner never dreamt of in this country. The taxable capacity of any country is not easy to determine, but it will be readily admitted that, as compared to other countries, India is certainly and beyond all question, very poor. If what has been said before be true, that the real annual income of an Indian is £2, as compared with the Englishman's £45 and even if that annual income has increased to-day, as I believe it has, the Legislature will yet have to take great care to see that the tax-payer is not burdened beyond his capacity. Our deficits for the last four years amount to 90 crores of rupees. If this country had not made a free gift of 100 millions Sterling during the war—a gift made without the country being consulted and in a desperate hurry—our balances to-day would have been on the right side.

The expenditure, however, has been growing at an enormous rate, and even if we had not made this free gift of 100 millions Sterling, I admit that at this juncture we would certainly have had to increase our taxation. It is this growing expenditure to which the Legislature must direct its very close attention. Rabid and perversely unfair critics of the type of the present Chairman of the Calcutta Chamber of Commerce, who look upon Indians as both incapable and untrustworthy, who have no faith in the Reforms and much less in those who compose these Councils, will pour forth, in the choice language and style in which they seem to revel and in which they appear to be such great adepts, their vituperations on the heads of those Members of the Legislature like myself who are asking Government before anything else to reduce their military expenditure. These critics will assume that any such attempts on our part are no more than a parrot cry and that Government on no account should reduce its Military expenditure, for otherwise, to use the words of the same critics, they would be juggled out of their birth-right or receive the Order of the Boot. Fortunately for the country, Sir, we have men in the Government of India who think otherwise, and they have already accepted the Resolution of the other House to have a Retrenchment Committee. Sir, that Retrenchment Committee will not be able to go very far, for it will deal only with the Civil expenditure, the total of which amounts to 20 crores. No matter how drastic may be their recommendations, they will not go a long way to meet our heavy deficits. Therefore, Sir, it is the Military expenditure to which we must devote our attention primarily. Reduction seems to be the cry all the world over at the present moment. Only two days ago there was a telegram to the effect that the recommendations of the Geddes Committee of 84 millions to be reduced have been accepted by the Government to the extent of 64 millions, of which 11 millions are reductions as recommended by the Resolutions passed by the Washington Conference. That telegram goes on further to say that in the coming year, the estimates will be 484 millions as against 665 millions, which means a reduction of 24 per cent. If we can but effect a reduction of 24 per cent. in our Budget, the trick is done and there will be no necessity for any further taxation.

Much, Sir, has been said on this vexed question of the Military expenditure in the other House both last year and, I understand, yesterday and the day before. It was my misfortune not to have heard His Excellency the Commander-in-Chief or the Honourable the Finance Member on the defence, I am told, they put up in support of the Military expenditure. But whatever they may have to say it will be a long time before the country at large is convinced that the Military expenditure cannot possibly be reduced. Sir, a note was issued by the Military Department last year and another one I understand has been issued and circulated within the last two days. But neither of these, I repeat, will convince the country that the Military expenditure cannot be reduced, and reduced substantially. In the pre-war days the total of our Military expenditure was only 31 crores. Last year we budgetted for 62½ crores, but the Finance Member has told us that this figure will reach or has reached 65 crores. In next year's Budget, he gives the estimate at 62½ crores of rupees, which includes, of course, 2½ crores for Waziristan.

In this connection, Sir, I seek some enlightenment from the Honourable the Finance Member. In paragraph 14 of his Budget speech he says:

'I have estimated for the Budget purpose the rupee at 1 shilling 4 pence. The debit that will be necessary in our accounts which we still maintain at 2 shillings basis will at this estimate be about 15½ crores, of which 10 crores will appear under the head 'Exchange.'

Now, Sir, what I desire to know is, whether any part of these 10 crores is due in any shape or form to the Military expenditure. (*Sir Malcolm Hailey: 'Yes'*). I get an answer in the affirmative. Then it means that the 62½ crores is not the correct figure, and the Legislature and the public have a right to know how much more has to be added to arrive at the correct figure of our Military Colossus.

Further, why should a part of the Budget be prepared at 1s. 4d. and another portion at 2s., unless it be that the Government do not desire that the public at large should know the exact amount of the correct Military expenditure until they dive deep into the mysteries of the Budget figures. I certainly think it would be very advisable that we should revert to the old practice of having the Budget prepared at one rate of exchange, be it at 2s., at 1s. 8d. or at 1s. 4d. as is determined upon.

Sir, the acquisition of Waziristan has cost the country no end of money and very great loss of life. Now, this is the stumbling block or one of the stumbling blocks of the Military Budget, and certainly it is one of its most objectionable features. During 4 years the country has spent 25 crores of rupees in Waziristan, and what have the Government to show in return for it? Absolutely nothing. . . .

The HONOURABLE SIR MALCOLM HAILEY: May I ask that figure again?

The HONOURABLE MR. SETHNA: 25 crores in 4 years.

The HONOURABLE MR. E. M. COOK: Is that all spent on Waziristan?

The HONOURABLE MR. SETHNA: Yes. Am I wrong?

The HONOURABLE SIR MALCOLM HAILEY: I will see the figure.

The HONOURABLE MR. SETHNA: I repeat that we have spent 25 crores in 4 years and we have got nothing in return for this enormous waste of money; and what is more the Finance Member tells us that there is still the 'indeterminate liability' for Waziristan. This mad adventure must cease, and the sooner it ceases the better for the country at large.

Now, Sir, in regard to the strength of the Army, Government have maintained that it should be kept up at its present level and they cannot possibly reduce not only the strength of the Army, but also its consequent very heavy cost. If the Army cannot be reduced, at least one thing can be done, by which we can effect a saving of 1½ crores. If we are not going to reduce the numbers, I think we can, without impairing the safety of the country, substitute 10,000 Indian troops for 10,000 British troops. Each British soldier costs Rs. 1,971 per annum, and an Indian soldier Rs. 411. Therefore, if there is a substitution of 10,000 Indian troops, we keep the numbers as they are, but we effect a saving of 1 crore and 56 lakhs, and I repeat that in the opinion of the country at large, no matter what the Government might have to say to the contrary, the safety of the country will not be imperilled by such substitution. Our abnormal military expenditure is the root-cause of all our trouble and our heavy deficits and the Legislature must compel Government to agree with us in reducing Military expenditure. I quite understand that the Military expenditure is at present an untouchable item, but it can be very vitally touched if only the Assembly will inform Government that in those items they can touch and deal with they will vote no grants as asked for unless and until Government reduce, and reduce substantially, their Military expenditure.

Even assuming as correct and convincing the figures which Government have placed before us, firstly in regard to the unavoidable and to the inevitable character of the heavy expenditure and the consequent deficit, and even assuming that the best method of meeting this increased expenditure is by adding fresh taxation to the full extent of the deficit, the Legislature has to consider which of the new proposed taxes might be granted and which most scrupulously avoided. The one item above all others, not even excepting the salt tax, which the country to a man must oppose, is the proposed increase in the excise on cotton duty. The increase in salt duty will certainly affect the masses; so will the increase in the cotton excise duty, if not to the same extent to an appreciable extent, but the increase in the excise cotton duty is an insult to the intelligence of the country. The Honourable the Finance Member has informed the Press officially that he has suggested this increase, not due to any wire-pulling, not because he is desirous of appeasing Lancashire, but for the sole purpose of adding to the revenue. I accept his statement, but if we are to be the masters of our own house, are we going to allow ourselves to be taxed in the manner proposed and allow Lancashire to benefit? However spontaneous it might have come to the Finance Member to raise cotton excise duty, he will have to admit that this increase of 4 per cent. certainly will benefit Lancashire. . . .

The HONOURABLE MR. E. M. COOK: 'No'.

The HONOURABLE MR. SETHNA: It is true that there is also a similar increase of 4 per cent. on imports, but does not my Honourable friend know that, according to the proposed new taxation the local producers of cloth, in addition to the 4 per cent. which they will pay, will also have to pay, instead of 11 per cent., 15 per cent. on the sizing material, the stores, and the accessories they will purchase for their mills? They will have to pay four times as much on the import of new machinery and a higher income-tax. I have with me here the figures of an average mill in Bombay with which I am connected, and according to these figures I roughly make out that the increases in the items I have referred to will give an advantage of more than 2 per cent. to Lancashire. (*A voice*: 'What about yarn?') My Honourable friend says, 'What about yarn?' The percentage of foreign imported yarn which the cotton mills use is negligible. Imported yarn is mostly used by hand loom weavers.

Moreover, the productions of cloth of Indian mills are of qualities which are meant for the masses, not for the classes, and why should the masses be taxed any further than what they are already? But above all, the self-respect of the country demands that we should absolutely negative any suggestion for the increase of the excise duty. May we ask why, during the worst days of the war, when so much money was needed, when taxation of all possible kinds was resorted to England never dreamt of raising one penny from its cotton excise? Is there any cotton excise duty in any of the self-governing colonies? Will any British statesman have had the hardihood of proposing such a duty to Australia, to New Zealand, to Canada or to South Africa? Is it not monstrous therefore, and one cannot use a milder term, for the Government of India to come forward with such a proposal just when Great Britain has promised India self-government and has already contributed a first instalment towards that direction to raise the cotton excise duty? Are not the Government of India aware that in England not only the Ministers but the whole country are cognisant of the views we hold on the subject? I will quote a few sentences from the reply which the Right Honourable Mr. Montagu gave to the deputation from Lancashire that waited on him on the 23rd March last year. He said:

'The Government of India would have had to propose to their Legislative Assembly duties upon cotton coupled with a corresponding excise. That Legislative Assembly contains an overwhelming majority of Members fresh from the constituencies upon whose vote the issue would be decided. I do not hesitate to say as a mere hypothesis and prophecy that there would not be one single Member of that elected majority that would have voted for an excise duty upon cotton goods. They do not believe in it. They are protectionists; they prefer to get their revenue from protection; and the consequence would have been that your Bill would have been defeated in the Legislative Assembly.'

He further said:—

'Whatever be the right fiscal policy for India, for the needs of her consumers as well as for her manufacturers, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa.'

The total amount of duty to be collected from imports and excise is 5 crores and 45 lakhs. My Honourable Friend, Sir Edgar Holberton, has suggested some means of avoiding cotton excise and charging what he calls consumption duties. I say, Sir, that the country would ten times sooner agree to increase the import duty from 15 to 20 per cent. or even 25 per cent. rather than consent to pay even a fraction of one per cent. in the shape of an increase of cotton excise duty.

Sir, the controversy on the cotton excise has been very bitter for years past; in fact, it has been an open sore for the last 20 or 25 years; but the country was greatly relieved when Lord Hardinge, in winding up the Budget debate of 1916-17, observed as follows:

'The Government of India have no desire to create controversy here, in England or anywhere else at the present time by the discussion of questions affecting Indian interests, but they are glad to have had the opportunity of placing on official record their views that the import duties on cotton fabrics should be raised, and that the excise duty should for the present remain at its actual figure and an assurance given that it would be abolished as soon as financial considerations will permit.'

We hoped that by this pronouncement Lord Hardinge had sounded the death-knell of this most obnoxious impost. Surely, my Honourable Friend, Sir Malcolm Hailey, could not have lost sight of this solemn pledge, and he must have spoken with his tongue in his cheek when this day last week, no matter how urgent the demand for more money, he came forward in all earnestness to propose an increase in the very cotton excise duties which Government have definitely promised to repeal altogether as soon as circumstances permit of their doing so.

I too should also like to say a word in regard to the increased duty on Machinery. I say that the proposal to increase this duty, which was for the first time levied at only 2½ per cent, a year ago, to 10 per cent. from

this year will lay the Government of India open to the charge of deliberately holding back the progress of the country. It is only of late that India has taken kindly to industries. I admit that perhaps 10 per cent. will not kill industries, but it will certainly retard their progress. I also know that the levying of a 10 per cent. duty will, with one stroke of the pen, enhance the value of existing plants; but Government ought to see to the future prosperity of the country, and we want India to progress and this duty will give it a serious check. Under this head Government expect an additional revenue of 4 crores and 5 lakhs of rupees. This head includes Iron and Steel and Railway Material. If machinery were dropped, and the duty, instead of being 10 per cent. on Iron and Steel, were raised to much more, it would give a great fillip to the Iron and Steel industry of this country, and enable more such concerns to be started. (*A voice: Like Tata's*). Not only Tata's but others in Calcutta, and if this protection is given to this trade many more concerns would come into existence sooner than they otherwise would.

I do not desire to exceed my time-limit. Much can be said in regard to Postal and Railway charges, but all I would like to point out is, that we ought to profit by the experience of Great Britain. We read just the other day that the London Brighton and South Chatham Railway alone carried nine million fewer passengers last year and the underground railways and omnibuses showed a combined decrease of 72 million passengers in the same period due to higher fares.

In regard to Postage rates I quote from the 'Outlook,' which says:

'That the Postmaster General predicted an increase for the last half year £5,250,000 from the higher postage. It now appears that the increase obtained was £250,000 or four per cent. of that estimated. . . . An apologist might reply that a greater part of the discrepancy of 96 per cent. between revenue estimated and revenue obtained can be accounted for by the business collapse: but the collapse has taken place when the estimate was made, and there is still less warrant in a bad business period than in a good one for an attempt to raise the cost of doing business.'

We can say with equal justice that business in this country is also in a bad way and Government should be careful before they increase both their Railway fares and their Postal charges. Last year an attempt was made to raise fresh taxes from the better classes, from people who could conveniently afford them. This year the additional taxation is to come as much from the rich as from the poor, and the poor will be severely affected by the increases in the Salt tax, on Kerosene Oil, on Matches, Cotton excise, higher Postal charges and Railway fares. And not only will they increase the cost of living but, as has been pointed out by the Honourable Sir Maneckji Dadabhoy, they will add very greatly to the existing political and economic discontent in this country. In retrenchment and retrenchment alone is our salvation, and the severest pruning must, of course, be in the military expenditure. If thereafter more money is still needed, then will be the time for us to see which particular taxes might be agreed to. But at all costs we should leave out, first of all, increase on Cotton excise, increase on Machinery, increase on the Salt tax, and also leave alone the quarter anna post-card, for these taxes will not only retard the progress of the country, but also prove a greater burden than the poor of this country can possibly bear.

The Honourable Mr. V. G. KALE: Sir, the Budget has been characterised by different speakers by different words. I would like to call the Budget an impossible Budget, because it is not possible for the country to stand the huge taxation which it is sought to impose upon the people. The situation to which we have been reduced financially has been due mainly to three causes. There are, first, the world causes which have been in operation and which have affected India in common with other countries. Secondly, there have been special causes to which we must attribute the present financial stringency and taxational difficulties, and they are principally due to the contribution which India made to the prosecution of the War. Very few people realise the great extent to which India made sacrifices for the successful prosecution of the War, direct and indirect. Apart from the War contribution of 150 crores, India had been disbursing large amounts of money on behalf of His Majesty's Government. We received payment for these disbursements in England. Funds accumulated in very large quantities in London, with the result that the whole of our Exchange system was disturbed and dislocated, and the consequences are being felt even at the present moment. My Honourable Friend, Mr. Sethna, inquired whether the Budget was made up on two different bases—the 24 pence and the 16 pence basis. The very fact that such a question is put in this Council must show what a confusion has been created in our financial arrangements and in the accounts that we keep, by the part that India has played in the prosecution of the War. The Budget has been placed, so far as I understand the subject, not on two different bases, but one basis—16 pence to the

rupee; but the accounts are being maintained upon the old basis which was adopted two years ago *viz.*, the 2 shillings basis, and so far as remittances from this country to London are concerned, that is to say, the Home Charges and other amounts which we are remitting to London are concerned, there is the distinction between the two different basis. But the very fact that we have to assign 15 crores of rupees to the item of Exchange and another 9½ crores on capital account, goes to indicate to what straits the financial management of India has been reduced. And here I come to the third cause. The Government would not like that the word 'mismanagement' or 'maladministration' should be used in connection with the management of India's finances. Whatever word you may use, however, the situation is there. Not only is a heavy load of taxation being imposed on the country in the coming year, but the heavy burden of debt, permanent and floating, which has been already incurred, is not likely to be reduced for several years to come. Now, the important point I wish to make in connection with the proposals for taxation is, that there must always be a reasonable proportion between national income and national taxation, and I want to inquire whether the next year's Budget shows a proper relation between the two. I will not go into the detailed calculations of the average income per head of the population in this country. Assuming that income to be Rs. 50 or Rs. 60, which is very doubtful, but assuming it to be Rs. 50 per head per year—the large masses of the people must be taken to have an average income of not more than Rs. 20 to Rs. 25—which means Rs. 2 or Rs. 2-8 per month. Can we imagine a man, woman or child living on Rs. 2-8 per month, and at the same time, being called upon to pay more for all the necessities of life? for food, for salt, for kerosene, for matches, and, what is more important, for clothing? Can you imagine a person on Rs. 3 or Rs. 2-8 a month, being called upon to spend more? We are told that the contribution on account of the increase in the salt tax is very small. But you have got to take that contribution along with the other contributions. Taken by itself, every tax is small; but after all, the burden on the back of the tax-payer is composed of a number of taxes, and for the next year these taxes have all been increased, and most of them are going to hit the masses of the people very hard. We know that prices in the country are very high. The index number of prices is still higher by nearly 75 to 80 per cent. than it was in 1913-14. The cost of living has gone up on all sides, and the Government may take it that the common mass of the people of India have been compelled to reduce their expenditure upon necessities of life, upon food, and upon clothing. The masses of the people are postponing the purchase of clothes and they are limiting their expenditure to absolute minimum necessities of life on which their health depends. Under these circumstances, how is it possible for the people to agree to the taxes which are being proposed? I can understand additional taxes being imposed upon profits, and upon higher incomes, but almost all these proposals of which I have been speaking, are proposals for the taxation of the poorer classes. Before the war, Government statisticians used to say that the prosperity of the country was increasing because it was reflected in the increasing imports of certain comforts and luxuries of life which were used by the masses. The finger was laid on the import of articles such as matches, soap and tinned sheets for the roofing of houses. What has happened to these articles? Their prices are going to be still further increased. Apart from all amenities of life, apart from all conveniences being reduced and denied to the people, the very necessities of life are going to be cut down and taxed. I find from the observations made by the London 'Times' that the Indian people are asked to remember that the constitutional and social progress of India must involve a considerable cost and that the budget before us is the price the Indian people must pay for reform and progress. I would gladly agree to this proposition if the budget were going to make for greater social and political progress. What social or economic advancement is proposed as a result of the budget? I must say that the budget is the most uninspiring budget that I have ever read, the most dismal budget that it has been my fortune to read; (A voice: 'Misfortune'!) yes, my misfortune to read. There is no proposal in the budget with regard to social reform and social advancement. There can be no provision for social advancement and economic reform because the new taxes are required solely for making up deficits; and one does not know for how many years these deficits will have to be continued, and thus social progress will have to be arrested. Along with the finances of the Central Government, we cannot forget the finances of the provinces, because the masses of people will be called upon to bear the central as well as provincial taxes; and the total burden of the taxes made up in this way from central taxation, provincial taxation and local taxation, will be very huge indeed! When Government is asked to set about certain reforms of social or economic character we are met with a reply that it is not possible. 'Inquiries will have to be made, which will take a long time; and retrenchment and

economy are not practical.' Under these circumstances, what is it that we are expected to do? The Government comes before us and says:

'Well, this is our budget. We cannot cut down expenditure by a single crore. You must, however, help us in putting on these taxes.'

I am very glad to find that my Honourable Friend, Sir Maneckji Dadabhoy, at the outset of his speech, was courageous enough to say that, if this budget is to stand as it is, it will not be possible for him to support Government or to co-operate with Government. (*A voice*: 'Co-operate so far as the budget is concerned') I do not mean anything else. If such a great friend of Government as the Honourable Sir Maneckji Dadabhoy makes this observation, (*A voice*: 'He is often an opponent too.') I shall be pardoned if I say that the representatives of the people in this House are placed in an extremely awkward position. Government wants us to support their budget. And we shall be regarded as irresponsible critics if we do not allow and help Government to cover the whole deficit by means of additional taxation. Irresponsible, certainly we are! But we cannot help it; we are not to blame for it. We cannot say to Government—

'Well, step aside, and we shall show you how to carry on the financial management of the country satisfactorily.'

It is not within our power to say that, and consequently all we are expected to do is to support Government. But how can we do it? Consistently with our honest convictions, consistently with the interests of the public, and above all, consistently with our consciences, it is not possible for us to support the proposed taxational measures. The people cannot stand the additional taxation, and honestly and sincerely I think it is a budget which takes out of the small earnings and incomes of the people more than it ought to do. The cost of living will materially increase as a result of this budget. The cost of production will go up everywhere and we shall be moving in a vicious circle. The cost of administration has been increased because the cost of living has been increased. Now, the cost of living has again been increased by additional taxation, and the cost of administration consequently will also be further increased. We shall go on round and round and it will be an endless business. The industry and trade of the country will be handicapped on account of the increased cost of living, and this increased cost of living will cause a very great hardship to the poor. When you are going to tax the poor and the middle and lower classes, you can imagine what the condition of an average family will be? Everything is costing higher. Even education is costing higher. The Government of Bombay have recently issued a press note increasing even the High School fees. A poor family with two children learning and reading in a high school will find education a costly luxury beyond their reach. Even elementary education, which is to-day a luxury to the masses, will become impossible for them. Consequently, socially, morally, intellectually and materially, a great set-back will be given to the advancement of the country by this budget. My friends who are intimately connected with trade and industry, have made observations on that part of the budget which relates to taxes upon Trades and Industries. I will not, therefore, detain the Council with any remarks of mine on that subject. I shall, however, say one thing with regard to the Excise duties. I will look at them from the consumer's point of view, and I must say that the consumer will find that the price of his cloth has gone up as a result of the excise duty. The manufacturers will take care of themselves. The millowners in India, at the present moment, have practically a monopoly in the supply of cloth. On account of the increased duty on imports and on account of the limited quantity of cloth turned out by the Indian mills, they are practically in the position of monopolists, and as such, they can coolly pass on the increased Excise duty to the shoulders of the consumers. The consumer will be the sufferer, because millowners are not philanthropists; and, if they can help it, certainly they will shift to the consumer the Excise duty wholly or partially. From the point of view of the interests of the consumer, therefore, I oppose the Excise duty. I do not want that the cloth of the poor should further go up in price. If you look into the statistics of imports and production of cloth for the last few years, you will find that the quantity of cotton cloth per head of the population that is used by the people in India, has gone down very materially. Before the war, it used to be about 13 yards per head. During the war, it was about 9 yards per head, and I am doubtful whether it would be possible in the near future for the people of India to have even 9 yards of cloth per head of the population on the average to clothe themselves. People will be under-clothed and under-fed, and this will lead to a material deterioration in the moral, intellectual and economic condition of the country. Consequently, the taxes upon Salt, Cloth, Kerosene and Matches are the taxes which ought not to be thought of. If the Government cannot do without additional taxation, let the taxes be imposed upon the shoulders that are broad enough to bear them. Let the poor people—and the majority of the people of this country are poor cultivators—not be

hit by these high taxes. According to the showing of Government itself, high prices of these commodities hit the lower class of the people. If I am not mistaken, in the memorandum submitted by the Government of India for the consideration of the Babington Smith Committee, they stated that high prices were pressing on the majority of people hard. Indeed, the present proposals of Government are calculated to have the same effect. Let Government pause before they finally make up their mind to insist upon the present proposals of taxation being carried out. All we can say is that we cannot conscientiously agree, having regard both to our honest convictions and the interests of the public, to support the taxes which have been laid before us. If any other proposals are placed before us, we shall consider them and give them such support as we can.

The HONOURABLE SIR ARTHUR FROMM Sir, in discussing an important matter like the Budget, it is very difficult to refrain from referring frequently to the Honourable the Finance Member either by his official name or by the name of the Honourable Sir Malcolm Hailey; but I think I am expressing the feelings of all the Members of this Council when I say that, although we have frequently to refer to him either by his official name or by his personal name, such criticisms as we make are really intended in a friendly spirit; even if at times they appear to be acrimonious, our idea is to assist Government and not to place obstacles in their way. I fully recognise, and I think all the Members of this Council recognise, the difficulties which have beset the Honourable the Finance Member in presenting a Budget to the Legislature which means increased taxation. Increased taxation is never welcome, and, although many Members of the Legislature have held up their hands in horror and exclaimed 'Oh! this Budget,' I cannot but think that, in many respects, it was only what we expected.

I will first turn to the expenditure side, Sir, and here at once, of course, I come to the Military expenditure. I cannot help thinking that His Excellency the Commander-in-Chief must feel extremely flattered at the amount of time and discussion which is devoted to the department over which he so ably presides. I should like to say at the outset that I am in thorough agreement with what has been stated by both His Excellency the Commander-in-Chief and by the Honourable the Finance Member that the Military Budget cannot be reduced. I am thoroughly convinced by what has been stated, that the Army Department has done all it can to economise. We know the reasons why the Military expenditure cannot present a more favourable aspect to the Legislature. The chief of them is the increased cost of everything. Honourable Members of this Council will remember the general outcry for increased wages throughout the country, which outcry has been liberally met and is materially reflected in the price of everything, of food, of clothing, and of material; and the Army Department feel that as much as the rest of us do. Then, again, the Railway charges have gone up, and the Army Department feel that acutely in moving their troops about. They move their troops about, I understand, much more often than they wish to do to quell internal disturbances. The Waziristan policy has been criticised. I do not pretend to be an expert on it, but I do understand this much about it and that is, when the North-West Frontier is frequently being raided, what would any other Honourable Member of this Council, besides His Excellency the Commander-in-Chief, do? What would Honourable Members think it the best thing to do? Would they sit inside the borders and wait to repel repeated attacks which result in a disastrous loss of lives of innocent people, or would they not go straight for the heart of the disease and go into the enemy's country and fight it out there? That, I understand, is the policy which His Excellency the Commander-in-Chief is taking up at present.

There is another matter to which I would like to draw the attention of this Council in connection with the Military expenditure which is the amount which we have to pay for the safety of this great country of India, safety from invasion and internal disorder. In paying for the safety of this great country we do not pay one single pie for the safety of her sea borders, and I think Honourable Members should remember that in discussing this expenditure, when they lift up their voices and say what a dreadful amount we are spending for defence. Supposing you had your own Navy to support too. I have heard in many quarters that an Indian Navy would be liked and welcomed. I do not know whether it would be liked and welcomed if we had to pay for it. We are often compared with Japan. Now, Japan supports a very large Army; it also maintains a very large Navy; and in their financial year 1921-22, the cost of their Navy was £70 millions, or a third of their whole Budget. India has not got that to face at all, and I think that we should meet this Military expenditure which I am convinced is necessary for the internal and external security of this country. We should face it as cheerfully as we can.

Sir, I am inclined to think that the financial resources of the Government cannot be further increased without serious consequences, unless the prosperity of the country is assured by the rapid growth of productive industries in the country. But although I am not a pessimist I do not see a very brilliant prospect in this direction. The conditions, I am sure, will improve in time; but there are no signs, I am afraid, of an immediate and sure progress. The monsoon may play the same tricks, our foreign trade may not flourish for some time, Economic and Political causes may still operate against us. Sir, I do not like to hold before the House the dark side of the picture any longer. There is only one possible way of saving the country from an approaching bankruptcy, namely, Economy and Retrenchment.

The Military expenditure has gone up by leaps and bounds in the recent past. It now absorbs the major portion of the national income. This is really a serious question. The Washington Conference ought to have some effect on the Military expenditure in India. Public opinion is unanimous in India on this point. The financial position of India cannot effectively be improved without revising our Military policy, and moderating our Military expenditure.

Sir, I really do not know what the financial future of India is. When every year closes with a heavy deficit, and the national debt is gradually piling up, when instead of providing for the payment of old debts, we incur fresh ones, I cannot call the prospect at all cheerful.

Although I appreciate the difficulties of the Honourable the Finance Member, yet I cannot help thinking that the present Budget, as it has been presented, is extremely unsatisfactory and discouraging.

THE HONOURABLE LALA SUKHBIR SINHA: Sir, so far as my opinion goes the Budget as placed before this Council is most unsatisfactory and most disappointing. By this I do not mean to say that the Finance Member has not made efforts to make the Budget as satisfactory as possible. I think he has done his best, but I am sorry to say that he has failed in his efforts. He has taken the easiest possible way to meet the expenditure, that is by raising revenue from new taxation or by raising the duties. He said in his speech that there are three courses to meet expenditure, the first is to finance the deficit, the second to curtail expenditure, and the third is to raise revenues from new taxation. Sir, to my mind he has taken the last and the easiest course to meet expenditure. He has not taken into consideration the poverty of the country. He has not taken into consideration that the people here get only about Rs. 30 or 40 a year per head, out of which they have to pay about Rs. 7 a year or one-sixth of the income. Out of the Rs. 40, the income per head of the population, they have to pay for their food-stuffs, for their clothing, for the education of their children and for many other expenses, festivals, marriages, and so on. It is impossible and inconceivable for anybody to see how they manage and afford to live on this income and bear the expenditure which I have mentioned. Sir, during the last three years, the deficit has been not less than 90 crores. Last year the deficit was about 20 crores, and we expected that this year there would be no deficit. But it has gone up to 34 crores. I do not understand, Sir, how long this state of affairs will continue and how long these deficits will have to be made up by new taxation or increased duties. In the whole world, I admit, that the price of food-stuffs has gone up, but there is a limit to everything. If the expenditure has gone up the revenue has gone up, and it is for the Finance Member to see that the expenditure and revenue are kept within bounds, and to see that the expenditure does not exceed the revenue. The coat should be cut according to the cloth. The expenditure should be so arranged as not to exceed the income. If it exceeds the income, then there will soon be a day when we shall be bankrupts, and I think this country is sure to approach bankruptcy if efforts will not be made to keep the expenditure within bounds.

Sir, as regards expenditure, we find that in the Military Department not less than 52 per cent. is spent. In the Brussels Conference and the Nations League it is laid down that Military expenditure in any country should not exceed 20 per cent., but here it has gone up to 52 per cent. I was present yesterday in the Assembly and I heard what His Excellency the Commander-in-Chief said in support of his Budget. I quite agree with him that the country requires a sufficient Army for the external and internal peace of the country. But, Sir, I want to know why expenditure has gone up to 63 crores when it was only about 30 crores before the war. It is said that it is due to high prices that the expenditure has gone up. But so far as I know the prices have gone up by about 50 per cent. In that case the Military expenditure should not have gone up over 45 crores at the most. But we find that 58 crores have been spent on the

ordinary Army and about 3 crores on Waziristan frontier. Some Honourable Members have said that the money spent on Waziristan has been a waste. I differ from them. I say that this money is not a waste, but it has been a gain to the country. We do not like the frontier people of Waziristan to raid our country. It is the duty of the Government to protect us from external raids and attacks, but the question is, what special reason has now cropped up to spend more money than was spent in the past? This question of the frontier has been for generations before us and Government have spent a good deal of money on the frontier. I think the Government should devise means either to make that frontier permanent in some way or other, or to devise means to have a permanent Army there, so that it may not be said that the amount spent there is a waste of extra expenditure. In the Army, I am ready to say, there is a large margin for reduction. In the Assembly as well as in this House, much has been said on this subject, and I appeal to His Excellency the Commander-in-Chief to see how much reduction can be made in his department having regard to the number and efficiency of the Army. I do not mean to say that the Army should be reduced too low or that the efficiency should not be maintained; but what I say is, that there should be a limit put to the number of Military forces. In this connection I may say whether it is possible or not to reduce the British soldiers. There are at present not less than 80,000 British soldiers. Besides this, almost all the superior officers are Europeans. Is it not possible to Indianise the Army? Is it not possible to reduce the number of British soldiers as soon as possible? Is it not possible to reduce the expenditure in the Supply and Transport department, in which we find that a large amount of money is taken by middlemen, by contractors? It has been stated that the Military is also required for internal peace and especially at this time when there is so much discontent in the country. I beg to submit, Sir, that in no country sedition or discontent has been put down by force or rather by Military force. It is only by constitutional means and by a conciliatory policy that the people can be kept contented and satisfied. I do not know how long this military force will be utilised to put down the people, to put down discontent in the country, and how much money will be required to do so. I quite disagree with this policy of using military force to put down discontent in the country. The Government ought to take constitutional steps, ought to take such conciliatory steps as may satisfy the people, and not to use military force.

I may suggest one thing more to His Excellency the Commander-in-Chief, namely, that instead of having a standing army he may have more Territorial and Reserve forces. They will cost less and be utilised when the time comes for their help and use.

As regards the civil side, I find that from the pre-war times the expenditure has increased by not less than 70 per cent. In pre-war times the total was about 50 crores, now it has gone up to about 90 crores. Sir, I do not find any reason why in the Central Government, in those departments, in which many subjects have been provincialised and transferred, reduction has not been made. For instance, I may mention the departments of Forest, Agriculture, Irrigation, Medical, Education, Sanitation, Public Health, Industries and Commerce. When all these subjects have been transferred and have become Provincial, I do not understand why any reduction has not been made in the Central Government in these departments. The object of the Reforms Scheme is to make Provincial Governments as free as possible from the intervention of the Central Government. I do not see any reason why a reduction in these departments should not be made as soon as possible.

From the Budget I find that India has to suffer a great loss from Exchange. Much has been said about this question by experts, but what I find is that until and unless a Gold standard is introduced in the country, this question will always remain, and I find the time has come when the Government of India should appoint a Committee or take some other steps to settle this question once and for all, otherwise this question of Exchange shall always trouble us, and we cannot know where we stand as regards our finances.

Sir, the object of putting the Budget before the Legislative Assembly so far as I can understand, is to allow the Members to criticise it in the best possible spirit and to put forward suggestions for the consideration of the Finance Member. If the Finance Member thinks that whatever he has made up in his mind to do, he will not budge an inch from that, and will not take into consideration any suggestions that are proposed to him by the Indian Legislature, then there can be no question about it. He may do what he likes. But, Sir, I submit it is for him to consider suggestions and proposals that are made in both these Houses of the Legislature. We are ready to support him, ready to put before him suggestions in order to make his Budget as agreeable and as satisfactory as possible. The Budget put

before the country is very disagreeable. It will touch the poor more than the others. For instance, he has proposed Excise duty on Cotton manufacture. I think this duty is bound to pass on to the consumer. The price of cotton cloth made in this country will be more expensive, and the poor people will feel it. Similarly, it is the case with regard to Salt. For many years past no effort has been made to increase the duty on Salt, but it has been rather reduced year after year, as it is used not only by human beings but mostly by cattle. India is an agricultural country, and if salt is not available for cattle, I do not know how the cattle will be able to work.

Then, Sir, post-cards. The Postal Department is not meant to be a source of income. It is a service for the people and should not be made a source of income. At present I find it has already given some net receipts of about one crore (*A voice*: 'There has been a net loss.') If any net loss has to be made up, then the Finance Member has some reason for raising the charges, but it is a question whether the post-card should be made half-anna or some other postage should be increased, because the post-card is generally used by the poor who cannot afford to use half-anna cards or one anna postage. If the Honourable the Finance Member can find his way to keep the post-card as it is and increase other postage, I think there will not be so much objection; but the chief objection is to the increase of the cost of post-cards. I think the House may remember that there was a great deal of objection to an increase in the case of post-cards last year, and after great discussion it was dropped and in addition to the half-anna postage a postage of nine pies was introduced as a compromise. But it is now found that the income from nine pies postage has not been sufficient, and therefore both this and the half-anna postage are going to be abolished and the one anna postage only is going to remain.

Then, Sir, it is proposed to put a duty on Machinery at 10 per cent. It is already admitted that India is very poor as regards industries, and every effort is now made by Government as well as by the public to develop its industries; but this duty of 10 per cent. will set back this development.

My friend, Sir Maneckji Dadabhoy, has proposed some new items of taxation that should be considered. One of them is to increase the duty on yarn. I think he is quite fair in making this suggestion. If yarn is taxed, say at 15 per cent, I think there would be no objection.

Then there may be an export duty on Bones and other Manures. It will bring a revenue as well as prevent a very useful commodity from going out of the country, as Bones are badly wanted for the agricultural prosperity of the country.

With these few remarks I appeal to the Honourable the Finance Member to recast his Budget in the light of the suggestions and proposals made in this House and in the Assembly. If he will not do so, the present Budget will not be accepted by the public, and the present political situation will, I am afraid, be worse than ever. These non-co-operators are going about the country and have already begun within the last week saying to the people that the Government is going to tax you more and more and where will you be? The consideration of the present political situation is of great consequence at this moment, and therefore I appeal to the Finance Member to reconsider his Budget and recast it as much as he can, in order to make it more agreeable to the people.

[At this stage the Council adjourned for Lunch till Two-thirty of the Clock.]

The Council re-assembled after Lunch at Two-thirty of the Clock, with the Honourable the President in the Chair.

The HONOURABLE KHAN BAHADUR AHMEDTHAMBY MARICAIR: Sir, I congratulate the Honourable the Finance Member for the able manner in which the Budget has been prepared. It is by no means an easy task to work at figures and put them in its proper form as presented before this House, and I quite realise the pains he has taken.

In this connection, I desire to make a few observations on this very important deliberation. I do not know whether it is necessary to say anything after the eloquent speeches delivered by the older statesmen of the House, but I will be failing in my duty imposed on me by my electorate if I do not say a few words at this critical juncture.

I shall first deal with those subjects that will materially affect the poor masses of India.

The extra taxation on Salt will, I think, be a great hardship on the masses. It is one of the urgent necessities of daily human consumption. One cannot live without it and it is only one of the necessities of life that is being used by the rich and the poor alike. Any interference with the use of salt by heavy

taxation will seriously tell upon the health of the people. Moreover, salt is largely consumed by cattle and, if it is heavily taxed, it will affect a good deal in the preservation of cattle, which are so very useful in various ways in this agricultural country. I, therefore, strongly oppose an extra taxation.

The next item is the tax on Kerosene oil. After the introduction of Kerosene oil in India, the old system of lighting with nut oil and castor oil has disappeared, and it has now become one of the chief necessities of Indian life and the masses cannot get on now without kerosene lights. It will be a great hardship if Government taxed the Kerosene oil, which is after all produced in India itself.

Now I come to the increase in Postage. The doubling of post-card rate and the increase of $\frac{1}{2}$ anna and $\frac{3}{4}$ anna letter rates to one anna will surely and seriously go against the common interests of the poor. Considering the small profit which the Government is going to derive under this head, it is not worth interfering with the present rate of postage. Use of cheap postage is hitherto enjoyed in India from generation to generation, and any interference with it by the raising of the postal rates will produce a great outcry among the masses. I beg to suggest, therefore, Sir, to leave $\frac{1}{4}$ anna post-card rate as it is at present and introduce $\frac{1}{2}$ anna note paper post-card and also introduce 9 pies stamps for letters weighing one tola, abolishing $\frac{1}{2}$ anna rate.

The next important item which has been spoken of so strongly, is the increase of Railway fares. Passenger fares have been recently increased and any further increase under this head will, I am afraid, be very hard on the travelling public, especially the poor.

I do not mind about the increase in 1st and 2nd class passenger fares, but I do strongly object to the increase in third class fares, as it will hit the poor very hard. I am not unmindful of the fact that the present coal market is in an abnormal state and that the cost of coal will no doubt affect the working of the railways considerably. With a view to get out of this difficulty, I would suggest the use of wood fuel along with coal. This system has been worked in some Railways, e.g., The South Indian Railway and the Madras and Southern Mahratta Railway and proved a success.

Then I am not in favour of increasing the Cotton Excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent., as it affects the indigenous industries. The duty of $3\frac{1}{2}$ per cent. on this head was in existence for several years. The increase now proposed on foreign piece-goods is from 11 to 15 per cent. i.e., 4 per cent. in excess of the old rate, that means an increase of 37 per cent., whereas the Cotton Excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. works out to over 100 per cent. If at all any increase be made it may be made to the amount equivalent to the duty increased on foreign piece-goods, viz., 37 per cent. to the present rate, which works out at about 5 per cent.

The next important item about which I raise my objection is the increase of import duty on Machinery from $2\frac{1}{2}$ per cent. to 10 per cent. This exorbitant increase is most objectionable. Any heavy taxation on this item as well as on cotton means nothing but an embargo on the development of indigenous industries, and if you give facilities to other nations, such as Japan, etc., to monopolise the Indian Market. I believe it is the wish and desire of the Government to develop the Indian industries, whereas the present attitude which the Government has taken by increasing these taxations will, I am afraid, cause a great outcry among the industrial classes, as it will give a death-blow to the thriving industries of India.

I do not like to repeat the same question as so many Members spoke both in this House and the other House regarding the reduction of Military expenditure. I have also heard the speech of His Excellency the Commander-in-Chief on this subject in the other House, and I quite realise that sufficient military force is essential not only to safeguard the interests of the country, but also to safeguard the interests of law-abiding citizens. But it is essential that this very heavy item of expenditure should gradually be reduced. Moreover, as the safety of India means a safety of the Empire, it is equitable and just that the British Exchequer should also bear a portion of this heavy military expenditure and thus come to our rescue at this crisis.

I know the Honourable the Finance Member will ask as to how to meet the deficit if reduction of proposed duty is made on the suggested commodities. My answer is quite clear and simple, i.e., to remove the existing embargo imposed upon the shipment of rice to Ceylon and the Straits Settlements about which a great deal of discussion took place in this House. I really cannot understand the reason why the Government are still stubborn in not removing the

embargo. They not only stand in the way of free trade millions of rupees by way of export duty on rice. In 14 million tons were shipped from the Ports of Madras Straits Settlements. In the year 1912, about 15 million. In the year 1913, about 12 million tons were shipped revenue of several millions of rupees. I, therefore, suggest the withdrawal of the restriction immediately and continue freely as before. I also suggest the withdrawal on the export of wheat and levy a reasonable duty.

Another solution I beg to suggest is to impose export duty on nuts shipped from all the ports of India to foreign countries. It has been a very large export from the Ports of Madras to London Port, and the Honourable Members of this House will mention the quantity of ground-nuts shipped from India.

In the year 1911 to 1912	.	.	.	3,822,583 tons
„ 1912 to 1913	.	.	.	4,867,011
„ 1913 to 1914	.	.	.	5,558,120

In the subsequent years the shipment has been decreasing and also due to exchange problem.

Well, Sir, even if a small taxation is levied on them, it will bring in a very large revenue to Government, and I will meet with the approval of this House as well as the public. After all it is a produce cultivated in India and taken and consumed by foreigners. Why not have the tax levied when we ourselves are finding it very difficult to meet our expenses? I strongly recommend that instead of taxing and burdening the Indian masses, a taxation on the goods shipped to foreign countries be introduced and this taxation will be borne by foreigners.

Finally, I may say that any extra taxation on them will affect the poor will no doubt be a great hardship and facilities for the non-co-operators to play on this harp as a fuel to fire.

With these few words I commend my observations to the House. (At this stage the Honourable Sir Maneckji Dadabhai).

THE HONOURABLE MR. LALUBHAI SAMALDAS: I have been called a bankruptcy budget, an insolvency budget. I am not going to repeat those terms. But, Sir, it is very important to have patience and restraint when one sees the resources frittered away in a way that cannot meet with the approval of the House. Sir, the difficulty is greater because we feel our helplessness in the situation. It is not only we that feel so, but even the Finance Minister says that he is helpless. He is obdurate in his speech. He says: 'But Providence is on our side.' That means he perhaps himself is not quite able to resist. He does not only bring in Providence, but he brings in troubles, labour troubles, which led to the stoppage of the raising of coal. His actual words were:

'We not only maintained the services by the purchase of increased expenditure, but it had of course a detrimental effect.'

But I think we have a right to expect Government troubles were easily squashed. Some attempts ought to have been made earlier and things ought not to have been allowed to drift. They must have drifted if what the Honourable the Finance Minister said is true, that it led to the curtailment of trade. The Finance Minister is and has been the trustee of the people good enough to say last year that:

'Speaking here to-day I frankly, and with no feeling of regret of our former powers, welcome the measure which has got us a partner in the trusteeship for the finances of India.'

Sir, the suggested trusteeship should be a complete one. The joint trustees cannot work only in one matter together. The responsibility to the other trustees in other matters must be taken. When trustees we approached this Council or the other House and an attempt was made in the other House also, that we could go to the Finance Minister in improving the situation, was our request for co-operation treated? The Honourable the Secretary opposed it and on a division it was lost. In the other House with more elected Members than we have, the Honourable the Finance Minister thought that because the Legislature were joint trustees with him, he might put more into his confidence from the beginning. It may be a Standing Finance Committee and there is a Public Accounts Committee. Yet, in spite of those committees, expenditure has been

is not for us, unless we know all the details, here to say how far that committee was taken into confidence and how far all the facts were placed before them; but when we want a special Retrenchment Committee our request was met with a refusal. The Honourable the Finance Minister last year expected that he would be able to balance practically the expenditure and revenue; but he says that, owing to the war and owing to the slump in trade and other incidents, it was not possible to do so and we are faced with a heavy deficit. That deficit has been met by raising more money by Treasury Bills and other means. The situation is getting bad to worse from day to day and it is up to this Council to consider the best way in which the whole situation can be met. There is a deficit of Rs 90 crores already during the last four years. That is bad enough. We all thought that during the first or the first two years after the cessation of the war, when war factors had not reached any stability, we may have to spend more; we were hopeful that at least in this year there would not be any necessity for fresh taxation and that we would be able to make both ends meet. Unfortunately that has not happened, and we have also been told that it cannot be done for some time to come. Had it been even that it was a temporary deficit this year, perhaps the House and the country would not have taken such a gloomy outlook of the situation as they have done. But the Honourable the Finance Member says plainly, straightly—and I congratulate him on his courage and straightness—that it is not a temporary deficit. We also feel that it is not a temporary deficit, and if it is not a temporary deficit, has not the time come when all of us should meet and put our heads together? We may not have the financial brains of the Honourable the Finance Minister, or the Honourable the Finance Secretary or the Assistant Secretary, but we can honestly help, that is what we want to do. If Government will not accept our help, our assistance, it can only be due to two factors; one is either they do not believe in our *bona fides* or that they do not believe in our capabilities. If that is so I beg to say, Sir, that it would not be justified. As I said, we do not claim to be financial experts in the same manner as the Honourable the Finance Minister or the Finance Secretary may be; still we have some knowledge of finance and we are prepared to come forward and render all the assistance we can.

Coming to the details of the Budget, Sir, we find that the most important item is the Military. His Excellency the Commander-in-Chief told the other House and the Honourable the Finance Minister said the same thing, that it was not possible to reduce the expenditure by a single pie—he did not use the word 'pie', but it practically came to that—not an iota of the expenditure could be reduced.

The HONOURABLE SIR MALCOLM HAILEY: Combatant strength

The HONOURABLE MR. LALUBHAI SAMALDAS: Anyhow the expenditure could not be reduced. It is a pleasure to know that, as I take it, an attempt will be made to reduce the expenditure without reducing the strength of the Army. Now, I want to make certain suggestions to His Excellency the Commander-in-Chief, suggestions which are made only by a layman, and if I make any mistakes I hope His Excellency will realise that it is done more through ignorance of the technique than through any desire to hit at the Army. Sir, before I come to the details, I would like to speak on the general policy; and in this connection I think on behalf of this House we may express our thanks to His Excellency the Governor General for having allowed us to consider and discuss the Military item to-day; otherwise under the Act we would not have been able to do so. With that permission and with the desire of His Excellency the Commander-in-Chief to effect reduction in the expenditure, as far as possible, we all hope that a way will still be found by which, without reducing the strength of the Army in any way, we may be able to reduce the expenditure to such an extent that the Honourable the Finance Minister may be saved the trouble of raising all the monies that he estimates to have under the new schemes.

Coming to the general policy, Sir, His Excellency in the other House said—I believe it was His Excellency, but I am open to correction—that the Members who asked for taking away our troops from Waziristan were gentlemen either from distant Bombay or Calcutta.

The HONOURABLE SIR MANECKJI DADABHOY: I must ask the Honourable Member not to refer to any speech made in the other House.

The HONOURABLE MR. LALUBHAI SAMALDAS: I bow to your ruling. It may be said that the amount we have to spend in the occupation of Waziristan is a sort of insurance against attacks either from Afghanistan or from the frontier tribes. I request His Excellency to reconsider the whole situation and see whether we are not paying too heavy a premium for the insurance that we are effecting. It is for him, for His Excellency and the military staff, to decide whether this occupation of Waziristan leads to the

good of the country, or whether it might be permissible, in the financial interests of the country, to retire from Waziristan. Sir, it is not only the opinion of laymen; we are all laymen from Bombay and Calcutta; but I want to quote the opinion of a journalist who has studied the frontier question and the near East as well as perhaps any military officer of the Government has done—I refer to my Bombay paper the ‘Times of India.’ While reviewing the budget, the ‘Times of India’ after referring to the occupation of Waziristan, says

‘Waziristan is becoming a sink down which illimitable crores are being poured. The policy of occupation has become unbearably heavy. Withdrawal is always an unpleasant emergency to face, but there is on the Budget statement no alternative between withdrawal or something like bankruptcy. The policy of occupation was a mistake. It must be courageously reconsidered. The country is entitled to ask from His Excellency the Commander-in-Chief some alternative to this crushing burden for the protection of a very limited section of the Frontier.’

This appeal comes from a respectable journalist like Sir Stanley Reed, and I make the same appeal to His Excellency for a reconsideration of the whole situation in view of the fact that the country is becoming bankrupt. Sir, if it is not possible just now, owing to the frontier troubles or owing to the Treaty with Afghanistan being only very recently entered into, is it not possible later on for His Excellency to see if it is not possible to reduce the strength of the Army, not now,—His Excellency shows by a nod and says it is not possible—it may not be possible now—but it may be possible later on?

It may be that, as was stated here that the Army is to be sent from one place to another to quell local troubles, as in Malabar. It may be
 3 P.M. that it is felt by the Government of India that the Political situation in India is not so very easy at present as to make any reduction in the Army. It is for the Government of India and His Excellency the Commander-in-Chief to take stock of the situation, but when taking stock of the situation, they must bear in mind the fact that the country is getting bankrupt. It cannot afford to find more money. Then there is the question as to how best to reduce the military expenditure. Referring again to the ‘Times of India,’ it says . . .

The HONOURABLE SIR EDGAR HOLBERTON: May I know, Sir, if these newspaper extracts are in order?

The HONOURABLE SIR MANECKJI DADABHOY: I do not see any objection to quotations from newspapers.

The HONOURABLE MR. LALUBHAI SAMALDAS: The ‘Times of India’ says:

‘We recognise that in many respects this is a very bad time to recommend any reduction of the Army in India. We recognise also the public spirit with which Lord Rawlinson has dealt with the question of military economy and the considerable savings he has made.’

The ‘Times of India’ further goes on to say.

‘The military issue in India is therefore not only one of economy, but of retrenchment. That the Government of India must face and shoulder, if in no other way by rationing Army Headquarters with a sum considerably less than that asked for in the budget for the coming year.’

I hope, Sir, that His Excellency the Commander-in-Chief will very carefully consider the whole situation, not from the military point of view, but from the financial point of view and do his best to reduce, not the Army,—for I do not press for the reduction of the Army just now,—he will do his best to reduce its expenses so that the difficulties of my Honourable Friend the Finance Minister may be reduced, and on his behalf also I think he would make the statement which would please the hearts of the public that he will see his way to reduce the military expenditure.

Sir, the words ‘vicious circle’ have been used just now by my Honourable Friend, Mr. Kale, in one connection, and I want to use those words in connection with another matter. We have been told that the present strength of the Army is necessary, not only for the frontier troubles, but for the maintenance of internal peace and order. If we are going to have bankruptcy budgets year after year, and if we are going to have more and more taxation, there will be more and more discontent in the country. If there is more discontent, there will be, according to the Government arguments, greater necessity of controlling the forces of disorder and maintain peace in the country. That means more army would be required, and we cannot go on moving in that vicious circle without any retrenchment being effected very long. That is also a question which has to be very carefully considered, not by His Excellency the Commander-in-Chief personally, but by the whole of the Government of India, and see whether it is not possible to do something, as the ‘Daily Mail’ or some other paper said, concession-cum-repression does not lead to any good. Let it be either full concession or let it be repression, said the paper—the latter is a recommendation which

we cannot approve. The country cannot go on in a state of excitement and agitation for years to come. We want a definite policy to be laid down by the Government. It is a political question, but politics do mix up with finances, and I am therefore obliged to refer to it. But this question also has to be settled once and for all.

We have been told, Sir, by my Honourable Friend, Lala Sukhbir Sinha, that we want to Indianise the Army, and asked His Excellency the Commander-in-Chief as to when he can do that. He has, I believe, made up his mind to make a beginning both as regards the officers as well as the Army. But I would like to draw the attention of His Excellency the Commander-in-Chief to the fact that if India is really going to have *Swaraj*—it may be in 10 years, or 15 years or 20 years, or it may be in a generation as was said by His Excellency, a beginning on right lines has now to be made. I remember, Sir, a definition of Home Rule given by Mr. Lionel Curtis some time back. He said Home Rule meant government by the representatives of the people, for the people and backed up by the army of the same people. That is the correct definition of *Swaraj*, and I hope His Excellency the Commander-in-Chief when considering the whole situation will be good enough to see that a proper beginning is made so that the country may be able to attain *Swaraj* in the real sense of the term as early as possible. That is an appeal which, I believe, will be supported by almost all the Members of this House as also by the country at large.

Now coming to details—I do not know if I have exceeded my time-limit. May I know, Sir, how much time I have?

THE HONOURABLE SIR MANECKJI DADABHOY: You have spoken for 17 minutes so far.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Thank you, Sir. I would just like to refer to the very clear Explanatory Note which was supplied last year written by Sir Godfrey Fell. That Note I take as the basis for this year's budget also, because this year's Note is unfortunately not so clear or elaborate, perhaps he has not had much time to devote to it. But looking at the figures and glancing through them which I received only last night, I think I am right in saying that most of the expenditure which was put down for 1921-22 is likely to recur. I cannot see any variations in the Note supplied for 1922-23. Therefore, I think I shall be justified in basing my remarks on the previous Note. We are told, Sir, that there has been no increase, if anything, a slight decrease, in the British Army as well as in the Indian Army, and yet in 1913-14, I am talking of salaries only, the amount of expenditure on British soldiers was 3 crores 45 lakhs. In 1921-22 Budget, it was 9 crores and odd practically, though not exactly, three times but $2\frac{1}{2}$ times. We have been told that the index figure, as my Honourable Friend, Mr. Kale, said, was 80 per cent. higher. It has been said that it was only 50 per cent. higher. But taking it at 80 per cent, is it not possible to reduce the salaries or make some arrangements by which the expenditure on the salaries could be reduced? I have been told that a soldier does not receive more than he would receive in England. If that is so, perhaps it is not possible to go in for reduction. But I merely wanted to draw the attention of His Excellency the Commander-in-Chief to the fact that, while the index figure has gone up by 80 per cent, the expenditure on account of the salary of the British soldier has gone up by $2\frac{1}{2}$ times.

Then, Sir, there are two or three items which I would like His Excellency the Commander-in-Chief to take into consideration. The administrative staff and establishments, which cost Rs. 59 lakhs in 1913-14, are now put down at 1 crore and 57 lakhs, practically three times the sum. I want the Accounts branch to be as strong as possible, because it is the chief department that will control expenditure, and yet I do not see any reason why the Accounts staff and establishment should have been increased three times or so. It has gone up from Rs. 26 lakhs to Rs. 77 lakhs. Similarly, the medical staff and establishments have gone up from Rs. 56 lakhs to 1 crore and 76 lakhs,—more than three times. It is possible that during the war the soldiers had to be treated much more kindly, and more attention had to be devoted to them, and more hospitals had to be built. But I appeal to His Excellency the Commander-in-Chief to consider whether, in this year of bankruptcy, it would not be possible to reduce this kind of non-recurring expenditure. I am not talking of the recurring expenditure which are charged to capital. There are several such items, but I won't take up the time of the Council by referring to all of them. There is only one item about which I seek to have an explanation. I hope I will be enlightened on it. On page 322 of this Blue Book an item is put down. The heading is 'The principal items making up the increase of £2,212,000.' One of the items—item (ii)—is 'Marriage allowances and allotments to families of British soldiers and airmen in

India—a new item'. It is put down as a new item there, and the expenditure is £832,000. I do not know what that item is, and why, although it is new, it has been put down in this year of scarcity, and whether it can be removed. I seek this information and I appeal to His Excellency the Commander-in-Chief, if possible, to reduce it. We do not know what it is for, and I would like to have some detailed information about it.

Then, Sir, in this year's Budget, there is an expenditure on the movement of troops, an increased expenditure of 1 crore and 38 lakhs. That figure must have been arrived at on the basis of last year's figures, thinking that there may be some trouble like the Moplah troubles, etc., I think it can easily be reduced, because I fervently hope that we shall have no trouble, not only of that kind, but any other political or labour trouble, which will necessitate the sending of the Army from one place to another. But even if it is sent, I ask the Honourable the Finance Member whether he should not charge to the province which is not able to keep its affairs in good condition the travelling charges of sending the Army there. Why should we, the Central Government, bear that expenditure?

Coming, now, Sir, to the civil side

The HONOURABLE SIR MANECKJI DADABHOY: I would ask the Honourable Member to bring his remarks to a close as early as possible.

The HONOURABLE MR. LALUBHAI SAMALDAS: All right, Sir. I would try my best to do so. I merely ask a few questions. My Honourable friends have spoken on Machinery and Excise and Salt tax. I won't repeat their arguments, but before I bring my remarks to a close, I would like to refer to two items. One is about the annuities regarding Railways. There are three different items entered in three different places. On page 303 of the Blue Book there is an item which is put down as 'Annuities in purchase of Railways—Rs. 5 crores and 3 lakhs.' There is another item on the same page 'Redemption of capital from revenue' which is set down at 1 crore and 17 lakhs. That would mean that the one was total revenue and capital expenditure, while the latter was only capital expenditure. But in the other book (Budget statement) in Appendix B on page 2 it is put down—'Annuities in purchase of Railways—3 crores and 35 lakhs.' These two do not make up 5 crores and 3 lakhs, and I would like to have an explanation on that subject. If the explanation is given, I strongly support the proposal that has been made that the redemption of capital from revenue, 1 crore and 17 lakhs should be taken to capital, and so far our expenditure should be reduced.

Another item of expenditure which can be reduced has been suggested by various authorities. I specially desire to bring it to the notice of this House, because it has been suggested by my Indian Merchants' Chamber and Bureau. They advocate 'the diversion of 6 crores of interest earned in Paper Currency Reserve and excess of Gold Standard Reserve to revenue which Chamber consider permissible in view of proposed repayment of 4 crores Treasury Bills held by public.' It may be said that the total sum is 15 crores and only the interest thereon can be treated as suggested. I ask the Honourable the Finance Member to carefully consider this suggestion and see whether it is not possible to take out the whole of the 6 crores, and by doing so reduce the expenditure by 6 crores *plus* 1 crore and 17 lakhs, or 7 crores and 17 lakhs and the reduction which His Excellency the Commander-in-Chief may be able to effect.

Sir, as my time is up, I want now to refer to the Exchange.

The HONOURABLE SIR MANECKJI DADABHOY: I would ask the Honourable Member not to embark on any new subject now.

The HONOURABLE MR. LALUBHAI SAMALDAS: I am sorry I have no time, but I will only just refer to one matter. We have a feeling, Sir, that the Honourable the Finance Member has an idea that people are going to non-co-operate with him as regards his Budget. He has told the Assembly practically. 'If you do not behave properly

The HONOURABLE SIR MANECKJI DADABHOY: I have already ruled that you should not refer to anything that has taken place in the other House this Session. I cannot allow you to refer to it because in this House we cannot refer to what has passed in the other House this Session.

The HONOURABLE SIR MALCOLM HAILEY: May I rise to a point of order, Sir? I am very loath as you may well imagine, Sir, to question in any way your ruling in this matter, but I think we were under the apprehension, rightly or wrongly, that Members of this Council might refer to speeches made by Members of the Executive Council in the other House, in view of the fact that they are allowed to speak, both in this Council and in the Assembly. May I add, from my point of view, that it would be a great convenience to me if any Member of this Council were, by your permission, allowed to refer to any speech I made in the Assembly, for perhaps they may desire to suggest points which I may be able to clear up here.

The HONOURABLE SIR MANECKJI DADABHOY: I understood our President to rule otherwise this morning, but as it is your personal desire

The HONOURABLE SAIYID RAZA ALI: I believe, Sir, that that is what he told the House this morning.

The HONOURABLE SIR MANECKJI DADABHOY: I thought that this morning the President had ruled otherwise, but as it is your desire to give your personal explanation, Sir Malcolm, I will allow the Honourable Member to proceed with his remarks.

The HONOURABLE SIR MALCOLM HAILEY: I am much obliged, Sir.

The HONOURABLE MR. LALUBHAI SAMALDAS: He wants me to speak.

The HONOURABLE SIR MANECKJI DADABHOY: Yes, I will allow you to do so, but you must be as brief as possible.

The HONOURABLE MR. LALUBHAI SAMALDAS: I want to ask the Honourable the Finance Member and this House why we come here away from our place, at some sacrifice, sacrifice of health, sacrifice of business? Do we come here merely for the fun of attending the Council debates or for being called Honourables? We come here because we think that we will be able to assist Government in shaping the country's affairs in such a way as shall best serve her interests. But we are told that if we do not act properly, that is to say, if we do not carry the budget as it is, the Parliament—there was an impression produced in our minds, I am merely saying what impression was made on our minds—that the Parliament which is the only body that can give by instalments *Swaraj* will not do so, and it was also said that we were losing friends in England. . . .

The HONOURABLE SIR EDGAR HOLBERTON: I rise to a point of order, Sir. This is certainly a new subject.

The HONOURABLE SIR MANECKJI DADABHOY: I have already allowed the Honourable Member to speak on the subject.

The HONOURABLE SIR EDGAR HOLBERTON: It is now 45 minutes.

The HONOURABLE MR. LALUBHAI SAMALDAS: I merely wanted to say that I hope the Honourable the Finance Member did not mean it, but if he did and if we can get *Swaraj* only by co-operating in the way in which he likes us to do, I would much rather have the benevolent despotism of the old days and the *ante status quo* than be a party to an arrangement where our co-operation would be useful merely to tax the people instead of allowing us to improve their material, moral and economic condition.

The HONOURABLE SIR MANECKJI DADABHOY: (Addressing the Honourable the Finance Member): Would you like to give an explanation at this stage, or would you like to make it at a later stage?

The HONOURABLE SIR MALCOLM HAILEY: I would rather do so in a speech which I hope you will allow me to make in closing the debate. Perhaps there may be other Members who have some misapprehension of the same nature as that of the Honourable Mr. Lalubhai.

The HONOURABLE SAIYID RAZA ALI: Sir, it is really difficult to withhold sympathy from the Honourable the Finance Member who finds himself to-day in this predicament. It has not been suggested, and in fact it is not a fact that due care and thought have not been bestowed on the framing of the budget. The Honourable the Finance Member, as is his wont, has taken extraordinary pains to make the budget as clear as he in the circumstances of the case, could. The question, however, Sir, is one of principle. We have to examine whether the principle on which the coming year's budget has been framed is one which can commend itself to any reasonable man.

I do not want to tire out the Council with quotations, but the burden of the song, if I may be allowed to say so, of the Honourable the Finance Member's memorandum is that revenue should meet expenditure. In many places he has given forcible expression to this view. Now, I for one, take emphatic objection to that proposition. The proposition is inherently wrong, and hence the troubles of the Honourable the Finance Member and of the Government of India. It is very wrong to say that revenue should meet expenditure. The correct proposition would be that expenditure should be within the revenue. But if you lay down a reckless standard of expenditure and after finding that you have not got enough revenue to meet it you want to cast your net as wide as the circumstances of the case allow you to do, there will naturally be strong objection taken to the manner in which you have acted. The only logical and reasonable manner

of framing the budget is to find how much money is at your disposal. Having once determined that, you should try to distribute it among your Departments as fairly and equitably as you can. I do not suggest, that perhaps the Honourable the Finance Member did not resist the inroads that were made on his Department by various spending Departments. Indeed, I hope that he resisted and resisted to the bitterest end. All the same, the fact is there that the Honourable the Finance Member as a Member of the Government of India, now wants to vindicate his position before this House.

I do not propose, Sir, to go through very many questions. I would just take a few questions which affect the public at large and try to show that the additional proposals for taxation are not based on any sufficient grounds. Necessarily to show that, I will have to examine both our expenditure and our receipts. The receipts have fallen considerably and I do not think that they are very illuminating figures, excepting this that we are faced with a large deficit in the coming year. Now, Sir, what is responsible for this deficit in our budget? As every man in the street knows, our Army expenditure looms large in the horizon and is mainly responsible for this increase. About the military budget I shall explain my position in as few words as possible. Let us see what is the situation which we find around us to-day? The situation which confronts us, rather the situation, fortunately for us, before us is this, that the most powerful military power of modern times stands defeated and vanquished. There can be no suggestion that owing to German intrigue any invasion of India can take place. With our northern neighbour Afghanistan we have entered into a treaty of peace. There is no power in Central Asia left now from whom we can have any reasonable apprehension of any future invasion. Bolshevism lies prostrate at the feet of Western Europe. That being so, is it reasonable, may I ask, to suggest that because there may arise in the distant future any apprehension of danger from our North-West Frontier tribes, therefore we should keep the army not only in an efficient condition but in that condition which unfortunately is not commensurate with the money that we can afford to spend on it? Sir, going through the whole subject, I find that for this increased military budget two bogeys have from time to time been tried to be trotted out from end to end. The first is the frontier disturbance and the second is the maintenance of internal order, in which are included the movements of troops. Now, Sir, so far as frontier disturbances are concerned, I make bold to say that, excepting the Afghan War of 1919, if you take an average period of 3 years preceding that year, I do not think that our border has been less turbulent than has been the case during the past three years. I do not, I may be allowed to say, disregard the Waziristan campaign, but as against it there have been a number of campaigns of a more onerous character from time to time in the past. No doubt the frontier tribes can give us trouble, but after all trouble can be met with trouble. If they have troubled us, they have experienced always more trouble from us. Our position is never actually in danger. Then coming to internal order, I will submit, Sir, once for all that the primary function of an Army is to repel external danger. I say it with great respect to His Excellency the Commander-in-Chief that it is not the primary function of an Army to maintain internal order. The duty of maintaining that order, in the first instance, devolves on the police. If the police fail to discharge their duty, and I am glad to find that in this country the police have never failed to discharge their duty, then civil authority has a right to summon the military to its aid. Therefore, the plea that because there is danger of internal disorder, therefore we are entitled to commit ourselves to a huge military expenditure is a very hollow proposition. I must admit, Sir, that the movements of troops which have been necessitated during the past 8 months, have unfortunately entailed a certain amount of expenditure, but there is no reason to suppose that what has been done during the past 8 months will repeat itself on a larger scale in the near future. I am convinced that our police, efficient as it is, is quite competent to deal with such local trouble as may crop up from time to time. Now I do not think it is necessary for me to give the figures of military expenditure. They are a matter of common knowledge. The military expenditure has gone up very enormously. In the year 1913-14 it was 18 millions sterling and in 1919-20 it went up to 41½ millions. It has since then stood between 42 to 44 millions with a tendency to go up. Now, Honourable Members will see that the expenditure during the past 8 to 9 years has much more than doubled itself. Is that a position on which we can congratulate ourselves? My submission is that it is not. I have already stated to the House that there being no danger of any invasion or of any aggression from any quarter, this is just the time when we should embark upon a campaign of economy and retrenchment. In fact the question is one which has attracted very considerable public attention in England. Whatever may be the view, and I am free to confess that I do not know what is the view of the military advisers of the Government of India on this subject, namely, whether we are entitled to embark on a

campaign of retrenchment as a result of the late war, there is no doubt that the view taken in England is that for the next ten years there is no reason to apprehend any danger from any quarter. In the instructions issued to the Geddes Committee, whose Report as Honourable Members know was out only last month, it is clearly stated that the Committee will be required to submit its Report "on the assumption that no great war was to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in case of an emergency arising." That was one of the instructions that were given to the Committee. To me it seems that our position in India is much safer than the position of England, because we have not got the huge commitments which naturally fall to the lot of England. Sir, as was pointed out by one of the speakers, we are not required to spend anything on the Navy. Now, I ask Honourable Members to remember that the Navy of England is there to protect us. That being so, is there any reason why we should unnecessarily increase our military expenditure, though our safety is assured by the naval forces of the Empire, of which we are a unit? On the question of retrenchment, Sir, the point that will naturally suggest itself to many Honourable Members is as to how we are going to economise. One of the suggestions thrown out by more than one of the Honourable Members who have preceded me, is that we can make a satisfactory retrenchment by Indianising the Army. The suggestion was that so many British soldiers should be replaced by so many Indian troops. That is one way, but, Sir, that is not the only way of doing it. The question arises as to what has been the effect of war on modern warfare and on modern weapons. If one soldier at present is as good as two or three soldiers of the pre-war period then surely a clear case has been made out for reducing the strength of our Army, both British and Indian. I do not say that we should reduce the British forces alone. If the interests of economy demand it, let us reduce both the British and the Indian forces. Now the question is this. It is unfortunately a question on which I am not in a position to express any opinion worth much, namely, what has been the effect of the war on the efficiency of our Army. I am sure, Sir, that the distinguished soldier who presides over the Military Department will enlighten us on this point. Now I invite the attention of Honourable Members to the Geddes Committee Report, where the effect of improved modern weapons has been brought out and where it is explained as to what use a soldier can be put now, and whether he is not as useful as three or four soldiers were before the War. It says:

'The units also from the point of view of fighting efficiency are far more powerful than they were in 1914-15. Owing to the introduction of machine-guns the fire power of an infantry battalion is given as 6 to 8 times as much as it was before the war, and that of a cavalry regiment four times as much as it was before the war. The introduction of heavy artillery, gas, and tanks has increased the fighting power out of all comparison with the number of men engaged, and officers who are intended to increase the efficiency of the army, have increased disproportionately to the men. Moreover, there has been added to the Defence force of the Empire the very costly and highly specialised arm of the air. There will, therefore, be a far more powerful Army than we had before the war.'

We can also say that we have got the nucleus of an Air Force in India and, in time to come, it will relieve a portion of our burden. Now, that is the latest authority, if I may be allowed to say so, on the subject. That being so, may I not suggest to the Government of India whether the time has not come for them to reduce the strength of the British officers and soldiers from 69,600 and odd to 46,400, that is by one-third? Apply the same principle to the Indian soldiers whose strength at present, as Honourable Members are aware, is 158,615. If you do that, you will get quite a decent amount to cover the lion's share of your deficit. This is the position, Sir, those are the facts. I do not think it is necessary for me to say more on the Army.

I will have a few words to say on other subjects. Very briefly stated, Sir, my position on the remaining part of the Budget is, that this is a Budget which taxes the poor more mercilessly than the rich. That is the main objection that I take to the Budget. Having worked out the figures, I find that out of 2,165 lakhs, as much as 1,800 lakhs has to be borne by the poor and the balance to the extent of 365 lakhs falls on the rich. This classification of course I find with reference to the articles on which increased duties are proposed to be levied. For instance, I will say in a word that things like Salt, Passenger fares and Matches are not matters in connection with which the lion's share of the burden can fall on the rich. The share of the rich is denoted by Income-tax, Super-tax, Alcoholic liquors, Machinery and Sugar, if I may be allowed to include the last item in the list. That is the main fault that I find with the Budget. Now, Sir, the position is, what are we going to do? Going through the Budget I found that our working expenses on many of the Departments had steadily increased during the last two years. If we compare the accounts of 1920-21 with the revised estimates for 1921-22 on the one hand,

and with the Budget for 1922-23, on the other hand, we will find that there has been a steady increase in the working expenses both on our commercial departments as also on our spending departments. On the other hand, the receipts from our commercial departments have not kept pace with the increase in expenditure. This is more or less of general application, but I will just note the important heads without going into the figures. My remarks apply to Railways, Posts and Telegraphs, Customs, Salt and Opium. We find that there is a steady increase under expenditure. This increase is represented by 20 per cent. to 39 per cent. in the working expenses, without any proportionate increased income for these years. Now, that being so, Sir, I ask, are we to content ourselves, unfortunately for us, with this Budget or such portion of it as we may be able to swallow? The position is that it is not a satisfactory Budget, and I for one object, subject, of course, to my general objection, more particularly to the increased duty on Salt, to the additional Excise duty on Cotton goods and to the increase in the Passenger fares. Now, only one of these subjects calls for some remarks from me, namely, the question of the Cotton Excise Duty. The proposition has been very thoroughly discussed to-day, and I need not say much about that, but I would remind the Honourable the Finance Member not to forget that this question has got a very unfortunate history behind it. In the year 1894 this duty was levied simply because Lancashire thought that Indian goods would compete with its produce. That was clearly stated in the Council by the Honourable Mr. Westland, who was the Finance Member at that time. He stated:

'Her Majesty's Government, representing the supreme authority in the administration of India, and following the instructions of the House of Commons, have stipulated that if we are obliged by stress of finance to impose an import duty on cotton goods, we must deprive it of a protective character by imposing an equivalent duty upon similar goods manufactured in India, to the extent to which these enter into direct competition with goods imported from the United Kingdom.'

The whole subject has got a very unfortunate history and, therefore, every Indian naturally has a positive dislike for this duty. I am sorry that the Finance Member has thought it proper to increase this duty. As has been pointed out, the duty should have been taken off; if that were not possible, he ought to have allowed the sleeping dogs to lie and not raised the duty.

One word more, Sir, and I have finished. I, for one, am not prepared to support the Government's proposals, especially with regard to the three items which I have indicated. Now, let us see what the Government's attitude on the point is. I must at once concede that Government have a right to expect all reasonable assistance from us in the present financial crisis, and I, for one, am prepared to help the Government as much as lies within my power. All the same, are Government justified in supposing that, because Members have chosen to enter the Legislature, therefore it is their duty to support the proposals of Government, whether good, bad or indifferent? Much more so is the case with regard to certain departments which are never put to the vote of the Legislature, *e.g.*, the Army and many portions of civil departments. Here, behind our backs, without our knowing anything of what you are doing, you increase your expenditure and, after increasing that and finding that your revenues are not sufficient to meet it, you bring it to us and say: 'You are our Councillors and you have entered these Council Chambers. Therefore, we hope you will be good enough to help us.' Sir, I submit that is not at all a fair proposition. If you really want to rely on us, take us into your confidence, lay the figures before us, put everything to the vote of the Council, put before us for vote the Military expenditure and also all other non-votable civil expenditure. It will be our duty to help you after seeing as to how many of the proposals for retrenchment which we may put forward you have carried out. Sir, that being the position I think it is a very one-sided arrangement, and the Government are not at all justified in coming to us and expecting us to do everything for them. If it is going to be a case of mutual confidence, let it be a case of mutual confidence; if it is going to be a case of convenient alliance whenever it suits the Government, then there is no reason why we on our part should not follow the same principle. I strongly object to Government getting all the half-pence and we getting all the kicks. (Laughter.) That arrangement is very, unsatisfactory, and I must say, Sir, that if this Budget does not commend itself to the Legislature and is thrown out, the Government have nobody but themselves to blame for the manner in which they have been treating the Legislature ever since the Members chose to come here.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I do not propose to take up the time of the Council this afternoon by repeating what I said yesterday in another place. But there are one or two points in connection with this discussion which, I think, it is right that I should mention in this House; and although I do not wish to detain you longer

than I can help, I will also endeavour to meet the considerable volume of criticism that has been launched at the Military expenditure, both in this House and elsewhere.

Briefly, I endeavoured yesterday to point out the attitude of the Government in reference to this Military expenditure. One Honourable Member, Sir, this morning has referred to certain discussions that must have taken place between myself and the Honourable the Finance Member in coming to a conclusion as to what the figure of the military budget should be. I think I may tell him without revealing any secrets that those discussions have been very ample, have been very thorough, and, I may say, have been very cordial on both sides, with the result that the figure that you now see before you is the one that has been adopted by the Government as a Government, and is laid before the country for that reason. I have used every possible endeavour to cut down Military expenditure to the lowest possible limit. I had hoped that, in presenting the figure to the Assembly this year, we might have shown a considerable reduction on that which we presented last year. But circumstances have been against us. We have had to confront, to our disadvantage, a considerable rise in prices and extra expenses on the Railways and elsewhere, as well as higher charges from Home, which 12 months ago we could not anticipate. The economies, therefore, that I had meant and agreed to carry out, which would have shown a reduced budget figure this year, have, I am sorry to say, been swallowed up by expenses that could not be foreseen. After going into every branch of expenditure most thoroughly, it has been borne in on me, and I am afraid there is no disputing it, that, though we may by strict enforcement of economy be able to reduce the figure next year to some extent, no big or drastic or large reduction can be effected in the budget figure unless we proceed to cut down actual fighting troops. At the present juncture—and I lay emphasis on the fact that in all the remarks that I have made on this subject I have referred only to the present time—my opinion, as the Military Adviser of the Government, is that we cannot make a reduction in fighting troops. And that is because the position in which we find ourselves, both as regards the internal situation in India and the situation on the frontier, is not one that gives such confidence in the stability of the whole situation as to warrant us basing on it a policy of reduction. When circumstances improve, when the internal situation gives less cause for anxiety than it does at present, when the position on the Frontier is less threatening than it is at present, when the Treaty that we have signed with the Amir has been in existence a little longer than the two or two and a half months which is now its age, then I am quite prepared to consider the possibility of adopting some of the suggestions which have been made by Honourable Members, both in this House and in another place, for making reductions in the fighting strength of the Army as a whole.

Several Members have made a distinct reference—I might almost go further and say that they have made severe criticisms—regarding the policy that has been adopted in Waziristan. This is not surprising in view of the expense that it has led to in the last Budget and in former years; though I think the total figure which one Honourable Member quoted of 25 crores in the last four years is not one that we can accept as accurate. I will leave that point to be dealt with by the Finance Member. I would say one word in reference to Waziristan. Many of our critics seem to think that the Army has gone into Waziristan on a sort of filibustering expedition, with a view to gain honour and glory. I see some Honourable Members nodding their heads when I say this. I desire emphatically to repudiate any such suggestion. We, the Army, have been
 4 P.M. forced to go into Waziristan much against our will, in order to protect peaceful inhabitants within our own administrative border. There is no more unpopular service in the Army to-day than service in Waziristan. I do not know whether many Honourable Members have had the good fortune to visit that country. I am sure, if they had, they would sympathise with the officers and men whose unfortunate duty it is to serve there. I repeat that we have been forced to go in in order to protect our own subjects within our own administrative border against the constant and vicious and vigorous raids of the Mahsuds and the Wazirs from beyond the frontier. If someone else would take charge of these turbulent tribesmen, if someone would transport them to some other area, or even if they would agree to cease these raids and depredations upon our own peaceful inhabitants, no one would be better pleased than the Army. But we are bound as a Government to give protection to those of our subjects who live within our own administrative border. I say that is a duty of the Government, a duty which that Government must fulfil if it is going to deserve the term Government. We have entered on this policy in Waziristan in order to protect our tribes; and instead of remaining on the defensive within our own borders on a frontier or over an extent of frontier of some 300 to 400 miles, we have tried to suppress the

disease at its centre, and so far we have been successful. I have referred to this, because I cannot help feeling that there is some misapprehension in the minds of Honourable Members as to the reason for our policy and for the expenditure which we have had to incur. I say that we can look forward to considerable reductions in this direction during the coming Budget, in comparison with last year. No doubt if our relations with Afghanistan continue to be as good as they are at present, and if the Treaty that has been signed matures in the way that we hope it will, it will be of very material assistance in our frontier policy and in the maintenance of law and order even in the Passes and in the borders of Waziristan.

I will pass on now to the internal situation. When I see a state of affairs in internal India to-day, in which I am constantly, almost daily, called on to send troops to reinforce the Police in order to maintain law and order, when I see the unrest in almost all parts of India, and when I remember also the trouble that we had in Malabar in suppressing the Moplah rebellion, I cannot bring myself to recommend a reduction in our fighting troops. It has been suggested by some Member that it is not the duty of the Army to maintain law and order and to suppress internal disturbances; I quite agree. But when your Police are either not sufficiently numerous or not sufficiently trained to maintain the law within your own borders, it is inevitable that the Military should be called in to support it. It is not, again, a duty which the Army is intended for, nor is it one that should in actuality be charged against the Army Budget. The maintenance of law and order and the forces necessary to enforce them should be charged against the Provincial budget. But one can understand, when one looks at the financial position of the provinces, that they rather encourage the Army to support the Police. I say again that the Army dislikes this particular duty, and would be very glad if it were possible to get rid of it.

Now, there have been many criticisms by Members of this House on Army expenditure. One Honourable Member insisted on saying that the Military expenditure was 50 per cent. of our revenue. I cannot subscribe to this view, for if the percentage is to be calculated for purposes of comparison with other countries, it must be calculated upon the revenues not only of the Central Government, but of the Provincial Governments as well, and if those two are combined, I think you will find that the percentage of Military expenditure is only a little over 30 per cent. The same Honourable Member described our frontier policy as 'aggressive.' I think from what I have said of Waziristan, it will be clear that I repudiate the epithet 'aggressive,' as we have only undertaken these operations by force of necessity. Another Honourable Member suggested that I was a bit flattered by the amount of attention that the Military Budget had attracted. I am not quite sure that it strikes me in that particular light, though perhaps it might strike him (A voice: 'No, no').

Another Honourable Member referred to the desire for developing the Territorial Forces, a suggestion which I cordially accept. It is a development which has been carried into effect during the past year, and which we intend to proceed with during the coming year. We have already some nine battalions in being, and we have taken money in this year's estimate to raise another ten battalions. Some are getting on better than others. But we hope—and we hope with some confidence—that at any rate in certain areas in India these battalions will become eventually a success.

Another Honourable Member said—I am not quite sure whether I understood him correctly—but he appeared to be somewhat emphatic in saying that it was desirable not to reduce the numbers in the Army, but to reduce expenditure. I entirely agree with him. That is really having your cake and eating it. It is a principle that I entirely approve of, and nothing would give me greater pleasure than to reduce expenditure. This is what I have been trying to do for the last twelve months, to reduce expenditure in the Army, and though I don't mean to say that I have got to the utmost limit that we can, I do say we have approached it very nearly.

Honourable Members have also referred to Indianisation, and in this matter I should like to make reference to a phrase that I made use of in a speech yesterday in another place, which has, I gather, been misinterpreted by some Honourable Members. I made the following remarks in connection with Indianisation and with India's progress towards Dominion status and self-government. What I said was:

'In company with other departments of the State, the Army must eventually be Indianised but will it ever be possible either in the Army or in the Civil Service to completely Indianise them and to wholly eliminate the British either in the one or in the other? I venture to think that it will be at least several generations before any such development can actually take place.'

I went on to say that we were making a beginning in the case of the Army, and were starting schools for the education of young Indians. Now

I understand that my remarks have been misinterpreted as meaning that the Government of India propose to defer the policy of Indianisation for many years. It was far from my intention to convey this impression. On the contrary, I am endeavouring loyally to carry out the policy of the Government of India, with which I am in complete accord, to substitute Indian for British officers in the Indian Army as rapidly as is possible, consistently with the efficiency of the Army, for which I am responsible. All that I meant to convey by my remarks, which in this connection were an expression of my personal views, was this, that I do not believe that India will wish for several generations, if indeed ever, to deprive herself entirely of the services of British officers, both military and civil, who have done in the past, as they will assuredly do in the future, great work for this country, to which so many of them have devoted the best years of their lives. (Hear, hear.)

The HONOURABLE SIR DINSHAW WACHA: Sir, it is no doubt a matter of profound regret that the financial condition of the country at this moment should be so parlous as to evoke a public cry the echo of which we have heard in this and in the other House. But as far as the deficits are concerned, I am trembling now, particularly after the remarks which were made by the Finance Member in his speech, that the deficit of the nature of the current year might continue not only in the coming year but for some years together. That remark points out that our financial position has greatly deteriorated, particularly in the last four years, say from 1918. That being the case, I do not know where the finances of the country may drift to. It may be that we are perhaps on the brink of what I may call a Niagara of deficits in the future; and the question is, whether it is possible for us to stem the tide, the floodgates of which are now burst open, or to sit with folded hands, and agree to everything that Government may propose in order to meet those deficits. Governments in every country no doubt often find themselves in that awkward predicament in which the Indian Government has found itself to-day. Whatever may be the condition in the present day of Central Europe, we, at least, in India, have escaped all those ravages and devastations that have gone on during the war. India suffered absolutely nothing so far as the war was concerned; rather I should say and I wish my friends here, the non-official Members, to remember that it has benefited a great deal by the war, not only economically, but in other respects. Where would India have been but for the Navy; where would India have been but for the way that England and France fought together side by side with our brave Indian troops to put down that bastard Imperialism which had threatened to sweep away the great civilization which the world acquired within the last 50 or 100 years? The fact is this, that were it not that England, the Home of Freedom, was fighting on the borders of France, and shedding the blood of millions of the flower of her sons, India would not have been saved. What would have happened had India been whirled into the vortex of the war? What might have been her condition to-day? I ask again my non-official friends to remember, accurately, impartially and justly, whether India is not to-day in an infinitely better position in every way on account of the war, because it has escaped all the horrors, the devastations and the costly expenses from which all Europe has suffered. On the other hand, it is well known, as the favourable balance of trade showed, that during the war period India gained, gained ever so much, that in the last two years following the Armistice there was a boom, boom in industrial concerns, boom in joint stock concerns and boom in other numerous concerns floated with a capital which mounted up, I believe, so far as my memory goes, to something like two hundred crores of rupees. Where did India earn all that favourable balance of trade during the war period and a couple of years after? Go back to the last ten years before the war. Could anyone assert that India would have gained so much in trade, ordinary, normal trade? No. I think I can challenge anybody who may say that India did benefit as much during the pre-war days, or even prior thereto. Therefore, India stands to-day in a stronger position so far as the economic benefits that accrued from the war. If her financial condition has of late unfortunately received a rude shock there are no doubt causes for it. Those causes, I believe, have been very ably and lucidly put forward fully, frankly and courageously, by the Honourable the Finance Minister. There are two broad factors which have contributed to the present financial position of India—the internal factors and the external factors. We know what those internal factors are, particularly one which grievously affects us because of the famine of the previous year (1920), famine which always leaves its baneful after effects on the year subsequent thereto. All those conditions have to be taken into account. Other internal conditions are at present in the melting-pot. India is somewhat in a chaotic condition at present and has suffered and is suffering on that account. We must seriously take that element also into account. When we take all these things into our consideration and couple with them the

distracted world factors, I for one am not surprised that there is such a very huge deficit. But, when I say that I am not surprised, I must qualify my statement by at least one remark, and that is this, that there has been going on for some years, if I may say so, an accumulation of small deficits. If Honourable Members will only closely study the financial statements of the last 10 years they will find one thing. I think my Honourable Friends, the Finance Minister and his Secretary, will correct me at once if I am wrong in saying that during the last few years expenditure has been allowed to out-run the revenue. That may be allowed in one year; that may be allowed in another year, but when it goes on year after year, I am afraid, Sir, we are inevitably driven to come to an impasse, and the day of reckoning must come. That day of reckoning has come upon us now. The cumulative effect of all these small deficits that have gone on for some years past has brought us to this stage, combined, of course, with the other factors to which the Honourable the Finance Member has referred. I should say that if the last 10 years' continuous revenue is taken, it will be found that, were it not for the railway surplus which it is the practice to merge into the general revenue account, we might have been in a very different state. I think I have calculated, of course I speak from memory, that from 1911-1912 up to 1920 the case has been this: if you deduct from the general revenue the railway surplus, you will find that in almost all the years there has been a material deficit. Of course, that deficit was not seen because of the merging of the railway surplus there. But if you deduct that surplus you will see in its nakedness each year's deficit almost. I do not complain of it. The dire necessities of Government were great, and, of course, they had to use that surplus, though I am one of those who for years past have been speaking about it as an unsound practice that the railway surplus should be merged in this general revenue account. My contention was that it should always be exclusively used for the development, further development, and extension of railways alone. Had that been the case, it is possible that the railway conditions might have been better and there might have been some alleviation of the congestion of traffic about which the public, specially the mercantile public, have complained. But that is not our concern to-day. What is past is past. I did not mean to refer to it, neither do I want to blame anybody. There is an end to it. There is, however, no doubt that this fact has added to the present dismal situation to which the Honourable the Finance Member has referred, and which has obliged him to come before us with a very heavy bill of enhanced taxation. We very loyally submitted to the taxation of the current financial year which was about 19 crores. For the coming year, of course, it has gone up to 31 crores! Now, Honourable Members in this House, as elsewhere, have no doubt greatly objected to many of the items of this new taxation. Some of them object that there is a tax on Salt, a tax on Kerosene, a tax on Matches and one thing or other, which, of course, greatly affect the domestic economy of the masses, the poor masses. My friend, the Honourable Sir Arthur Froom, suggested in his speech that there are no poor masses at all or, if there are poor masses, as far as mill labourers are concerned, they are very happy and well-off. That may be. But even taking all the textile operatives, not only in Bombay and Ahmedabad, but in Calcutta and other places, including Madras, there is a large mass of the labouring classes who are poor and eke out their existence from day to day and who, during famine time, flock to the relief works in order, of course, to gain a little food and a little money. . . .

The HONOURABLE SIR ARTHUR FROOM: But they do not work.

The HONOURABLE SIR DINSHAW WACHA: It is not the case that they all do not work. Sir Arthur Froom is entirely mistaken. I admit at once that the mill hands in Bombay and Ahmedabad have latterly got so much increase to their wages that they do not, of course, attend to their work for 26 days of the month but for about 20 days. It is a fact that by working for 20 days they get more money than what they used to get before for 26 days. Their wages have been increased by hundred per cent. and more. But we are talking of India as a whole. We must not mix up one section of the labouring community, which is very happy, with the larger classes of labourers, the millions, who are eking out their daily subsistence. Remember also that we are just now in a good year with prospects of a rich harvest. Heaven forbid, supposing the next monsoon fails, of which, as we all know, we may not be too sure, what consequences may follow? I think more than one Finance Minister has said before that as far as our finances are concerned, it is a "gamble in rain." That rain-gamble also goes to upset a great deal of the financial position of the Government. I say, Heaven forbid, if to-morrow there is another famine in the country, if not a general famine, famine here and famine there. No doubt the provinces are expected to find relief to a certain extent under the Reforms Act—what aid the Government of India will give to them when they come up to it for relief is another matter. When all these contingencies are considered I do say that, as far as the millions of the poor are concerned, the poor are

poor. They are always poor from the days of the world. Their lot is the same everywhere, and it is not in any way exceptional to this country. But having regard to the fact that we have got our large mass of the poor, the question is whether a duty on Salt is expedient just now. I do not say about other taxes, but this Salt duty is one which is particularly hard. It has been said that it only comes to 3 annas per unit. I admit that statement. But that is not the only thing. Matches, Kerosene oil and other things all combined together go, of course, to swell the expenses of the poor. Many a mickle makes a muckle, and in the case of the poor this is all the more true. As my friend the Honourable Mr. Kale pointed out, there is local taxation and provincial taxation apart from Imperial. It may be very small but even this combined small taxation for the poor is too much and it adds, of course, greatly to the expenses of their domestic economy and brings them on the verge of hardship and inconvenience, if not semi-starvation. Therefore, I say that we have to look to the condition of these poor masses first; and in this connection it is said that the Excise duty on cloth makes it a great deal worse for them. Now, I am one of those who from the very beginning, when the Excise duty was first introduced in 1895 or 1896 opposed it, opposed it not only individually, but opposed it in my capacity as a Secretary of the Bombay Presidency Association. We sent long memorials to the Government of India of those days. I do still maintain that the Excise duty is most burdensome because it hits the poor. I have not known in the whole industrial history of Europe or America for a century and more that an Excise tax is put upon an indigenous industry, whatever that may be. Nowhere is it being levied, and I should certainly be glad to be enlightened by the Finance Minister if he can inform us that there is a country in the world to-day where Excise duty of this character has been levied for years and years. Of course the millowners are flourishing and they agreed to the $3\frac{1}{2}$ per cent. duty which has been levied for years. Now it is going to be increased. It may be that this additional 4 per cent. duty on piece-goods may not perhaps injure the millowners themselves, that is to say, the manufacturers; but it will certainly injure the poorer classes. As the Honourable Mr. Kale very rightly said the production of cloth is not materially increasing in India and the imports of Manchester cloths are diminishing year by year—I find it has reduced the import duties for the current year by nearly two crores of rupees. What then will be the effect of putting this extra duty on cloth which will be something like one anna per yard? The greater reason for which I fight against this Excise duty is this. Everywhere, even in the case of the income-tax, what do you do? You take the tax on an earned income. Here, it is not a tax on income, it is simply a tax on production, which I consider to be most inequitable. Suppose you grind and labour to produce ten thousand pounds per day, but if that quantity will not cover your cost are you to be made to pay a tax on the loss you incur? I consider that to be a monstrous thing. It is an inequitable tax, against which I have been fighting and fighting for years and against which I fight to-day. I say it is most unsound and unfair, and it is even worse than an income-tax, because you are asked to pay on your income. But here you are asked to pay on your loss. What I say is that, if by any means this additional duty is given up, it would be far better and I think it would create a great deal of contentment amongst the masses. Well, they have for the last few years been paying a rupee and a half for a pound of cloth for which they used to pay 8 to 12 annas before. In other words they pay now 6 annas per yard which sold previously for 2 or 3 annas. In this Excise duty upon cloth, of course the profiteers will put on their own profits, apart from those of the manufacturer, and the middle-man his, and last of all the small retailer. Thus, this Excise duty on cotton will eventually fall on the head of the ultimate consumer and, since everybody wants cloth, the burden that will fall on the masses will be exceedingly heavy. Therefore, I appeal to the Honourable the Finance Member and to Government to consider the incidence of the duty from the point of view of the poor Indian humanity. It will never do to see these poor people going without cloth. Many children go naked about the streets because we have the sun. Children in England could not do so. They may go without shoes but they cannot go without clothes. Here in India, where we have the sun almost always, owing to the climatic conditions children go about naked till the age of 5 or 7 years. All these are conditions which have to be taken into account.

Then, as to Salt. I need not inform Honourable Members that the salt duty was very heavy before Sir John Strachey in 1878 revised and equalised it for all India. In some provinces it was $3\frac{1}{2}$, in some provinces it was $2\frac{1}{2}$ and in some provinces it was 2 per maund. Sir John Strachey did the wisest thing by abolishing the big salt cordon which went round the whole country, and at the same time reducing the duty to a flat rate of $2\frac{1}{2}$. That remained so till the Honourable Sir Evelyn Baring, who was afterwards Lord Cromer, the great regenerator of Egypt, as our Finance Minister, found our financial conditions so favourable in 1882 that the first thing he

did was not only to free India from all revenue import duties except those on Arms, Ammunition and Liquors, but also to reduce the Salt tax. If India has since prospered exceedingly, it is because of that free-trade policy which Sir Evelyn Baring introduced, but which our Neo-Protectionists of the hour are now going to supersede. What would be the effect I cannot say, though, what Sir Ibrahim Rahimtulla, the King of Protection, acting as Chairman of the Fiscal Commission might recommend I cannot say. Coming back to the point of this Salt duty, I may observe that the Honourable Sir Evelyn Baring reduced it by eight annas. The Bengal Chamber of Commerce, I believe, and some other people said

This does not affect them much, it is not more than 10 or 11 annas per year per head, why do you reduce it, why do you forego it?"

The Honourable Sir Evelyn Baring gave a very good reply and I wish that every Member of this House, every Member of Government, will also remember that reply. He said.

Eight annas per year even to the poorest man is very much. It gives him a *dhoti or a lota*.

Now, if all this extra taxation on Matches, Kerosene oil, Salt and Cloth are taken together, it will make a very large sum. It will be more than eight annas per head, and you must consider what these eight annas and more per head will mean, especially if you also take into consideration the diminishing purchasing power of the rupee. I admit that, as far as the purchasing power of the rupee is concerned, everybody is suffering. The Government themselves are suffering and I further admit that is also a cause of this deficit. But I do say this, that the Salt tax is a very burdensome tax for the masses and, if by any means the Government of India and the Finance Member could see their way to keep it at Rs. 2 or Rs. 1-8, that is only increase it by eight or four annas more, I think it would be a very great relief. The Finance Member and the Government of India would earn the gratitude of the masses. I do hope and earnestly hope that, notwithstanding that the financial conditions are bad, they may be able to find some other means, some other resources, wherewith to recuperate the reduction which they might make in the Salt duty.

Then, Sir, I wish to speak also on the subject of Machinery, Stores and other kindred commodities. Of course, the millowners are no doubt crying out against the taxation on these, and perhaps, it is natural. Everywhere there are what you call interests and interests, and every interest tries to protect itself. It is so in Parliament. In the lobby there during a Budget time you will find the railway interest tries to get as much relief as it can for railways, other industrialists do the same. The iron and steel manufacturers, the Lancashire manufacturers all scramble together, saying to the Chancellor of the Exchequer to reduce this and reduce that. It is human nature, but I do say that, apart from the millowners, we are now embarking on an industrial development of a very extensive character. In these circumstances, is it wise, is it expedient, is it financial statesmanship to increase these duties on Machinery very high, from 2½ per cent. to 10 per cent? That is too much, and I think that, if the Finance Member will only be content with taking five per cent everybody will be glad. The same is the case with Stores and other articles which all go to increase the cost of production. The cost of production in one thing or another falls on the ultimate consumers, and the ultimate consumers are the masses. Therefore, the burden eventually falls to a large extent on the poor and, if the maxim of economists is true that taxes should be so adjusted that those who are most able to pay should pay the most and those who are least able to pay should pay the least, if that be the case, then I ask who are the least able to pay but the masses. Will you not do anything to alleviate the heavy burden of the masses? Why make them discontented? Sound finance is the bed-rock of national prosperity, and sound finance means that you must keep the masses contented and prosperous. That being the case, Sir, I would only appeal to the Finance Member and the other Members of the Government to see if they cannot find a way to reduce the Salt duty, to bring down the Excise duty to 3½ or 4 per cent. and also to make a reasonable reduction on Machinery and Stores. There is always a way to be found if one is sought. But I will no longer refer to this subject. Time is passing.

I wish however to draw the attention of Members to another matter. What will be the effect of this present heavy taxation—30 crores of additional taxation—supposing that it is imposed. What will be the effect on the country itself? Will you not be diminishing the ability of the taxpayer? And what is then to happen next year when there may be another deficit, as the Finance Member himself has forecast, when the ability of the tax-payer to meet his fresh demands has been reduced by the present taxation? The condition of India being what it is, while international trade and commerce remain in the present chaotic condition, I do not

believe that we shall get out of this mire of deficits for the next five or ten years. Are we then to face a deficit every year? That is a very serious consideration and will require financial statesmanship of the highest rank from whoever may be the Member for Finance. We are entering upon a very troublous and parlous condition of affairs, and I think it will be wise and expedient on the part of the Government to see that the taxes are not imposed which will overburden the already greatly burdened tax payer. You will break his back and then there will be no hope indeed. This is merely an adversity Budget. The adverse circumstances of the times have necessitated it. But if these adverse Budgets are to continue from year to year, and if taxes are to increase more and more, it goes without saying that you will materially diminish the ability of the tax-payer till at last he will be unable to meet any demands. Where shall we be then? Perhaps in the lowest depth there may be a still lower deep threatening to devour all. Is that a stage which the Government wishes to reach? I hope not. If this avalanche of deficits, if this Niagara is going to flood the whole country, we will be overwhelmed and swept away in the tide of financial ruin. During the last 50 years India has prospered. Are we going to make her more prosperous by encouraging her industries, manufactures and trade, or are we going to impose a crushing burden of taxation on taxation of a particularly unproductive kind which shall impoverish it? I would not have so much objection if the expenditure was of a productive character. But that is not the case. We have a large unproductive expenditure, and of this unproductive expenditure the military expenditure is the most unproductive. None can deny it. I am sorry that His Excellency the Commander-in-Chief is not here at present to listen to what I am going to say on it. He observed this morning in his speech that it is impossible to reduce military expenditure any further. He has reduced it to the irreducible minimum. But what is the cause of this expenditure? His Excellency further said that if the Provincial revenues were taken into account the percentage on military expenditure to the total revenue will be less. I am afraid His Excellency was not quite correct. I have some figures here for the years from 1911-12 to 1919-20. In those years Provincial and Imperial revenues were combined. The Provincial revenue has only been separated since 1921-22. But what was the net annual expenditure on the military for the seven years from 1911-12 to 1919-20? From the Parliamentary return of those years I find that the ratio of net military expenditure to net revenue was 69½ million pounds per annum. And what was the ratio during the remaining two years namely, 1919 and 1920? While the annual expenditure during those 7 years was 6·93 million pounds per annum, during the two following years it was 11·7 million pounds per annum. What does that show? This only that the Army charges have gone up higher and higher. There are two matters about this military expenditure which have led onward and onward to the increase. One is continuous frontier expenditure. The other is the fatal Army amalgamation of 1859. India has cried aloud during the last 40 years about the second one. It is the one about which the Indian Government itself has written despatch after despatch to Secretaries of State. Lord Lytton, who was himself the author of what is called the 'scientific frontier', sent a despatch to the Government of England in 1878. Lord Lytton was followed by Lord Ripon and Lord Dufferin and others. But the question still remains unsolved. The War Office is absorbing a great deal of the revenues of India. Why, because the War Office demands year after year its pound of flesh in pursuance of the amalgamation scheme? And what is that pound of flesh? Nothing but this, that India has been made an unwilling partner under that amalgamation scheme and is forced to pay huge sums for soldiers' pay, depôts and other matters. Professor Fawcett, who was a Member of Parliament and sat on the first Committee on East India Finance from 1871 to 1874, and who was a master of the art of cross examination, brought out from various army experts who were witnesses, the unchallenged fact that the amalgamation scheme was at the root of the great mischief which Indian military expenditure was creating on the revenues of India. It was an amalgamation, as he said, of two countries, poor India and rich England. It is something like a partnership between two men, one with an income of £1,000 and another with an income of £20,000, the former being something in the nature of a sleeping partner with no voice in the business, but paying every pie that was demanded, just or unjust. The War Office calls for the tune and India has to pay the piper. That is the whole essence of the amalgamation! It is a contract between a poor man and a rich man, and the rich man quietly smokes his pipe and says to the poor partner, 'kindly foot this bill'. The poor partner does not know why he should pay; but all the same there is the partnership, and a contract is a contract which cannot be got out of, and in that way India has paid through the nose year after year from 1859 till to-day whatever sums demanded, counting by hundreds of lakhs. Unless and until this amalgamation scheme which is ruinous and mischievous is abolished nothing that you can do will reduce your Military expenditure. But you will

never be able to abolish this amalgamation scheme until, not only the Members of this Council and the Government, but the general public emphatically cry out against it and say that India can no longer suffer this amalgamation scheme to go on. Then only will your military expenditure be reduced but not otherwise, whether Waziristan is or is not evacuated and other Frontier activities cease. I tell you plainly and you will remember my words,—I am an old man nearly 80 years of age and may die to-morrow—that, unless this amalgamation scheme is abolished, you will never get out of the clutches of the War Office which, tyrant like, keeps an iron grip on India. That is the position of India so far as military expenditure is concerned, and it is the one potent cause above all other causes. It is the *root cause* of the annual disturbance to our revenue.

I am sorry, Mr. President, that I have overrun my time, like the Finance Member who allows to overrun his expenditure. But I will now conclude by saying this only; I most earnestly appeal to the Government of India to do everything in its power to put an end to this ruinous amalgamation and to speedily put its financial house in order. I appeal to all the Members of the Government of India to put their heads together and see how far they can at least reduce this Salt duty and the Excise duty on cloth and give what relief they can give to the tax-payer. If no relief can be given then there remains one last resource which, though to be condemned on abstract economic principle, must be deemed as a practical expedient. The Honourable the Finance Member asks what is the use of borrowing? I admit that borrowing is a very unsound principle for meeting a deficit, but sometimes a desperate disease requires a desperate remedy. In that case leaving alone the Salt duty and other objectionable taxation, borrow 10 crores of rupees at 6 per cent. interest for 25 years. You will have only to pay interest to the extent of 60 lakhs of rupees every year, and if you will try to liquidate that loan in 25 years, you will have to set apart 40 lakhs more for reduction of the loan every year, say a crore in all from the annual revenue. That will be spread over 25 years, and in that way the financial troubles of the Government of India may be relieved and industrial development can be allowed to smoothly go on. Such an arrangement will make the people more contented and prosperous than they are, and free the Government from all adverse criticism. With these remarks, I resume my seat.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, there are always two sides of the shield, and we who live in the Punjab near the frontier have to think differently. History will show that the Punjab has always been invaded and hundreds and hundreds of villages have been left without any population. It is true that for some time we do not see this. When there are some hardy nations who are now more or less taking up conscription, we have also to be alive to that. All the other provinces have never been invaded and the Members from other provinces have no experience of invasion, because each time the invaders have come they have come up to Delhi and stopped there. We have been the sufferers. It is for this reason, Sir, that I think the Army should be kept efficiently. There has been something said about amalgamation. If we had not gone from here and the Army in France and elsewhere in other theatres was not one, and managed by the same department, I think we would not have had the success. The Kut affair is very well known, the reason was that the news from India did not reach the place and the enemy was under-estimated. I think the Army as a whole is a thing that we want efficiently to be maintained. How can we do without it? Then again, Sir, take the Department of Education that is now started in the Army. It is the business of the Education Department to have these men educated. Hundreds and thousands of these men get educated in the Army, and that money is also added on to it. After all they are men in the Army. These are poor whose lands are not sufficient to maintain them. They require to live. If all these men were disbanded, they would have no means of living. It is also felt by the martial classes who have fought in the last war that they were taken away from their own professions and when they came back after hard fighting, they were put to trouble by being thrown out, being disbanded. On the whole I agree with the Budget, but there are one or two things, which, to be true to my constituency, I must point out. Some of them have been pointed out by the other Members. The most important of them is that the poor should not be taxed. One particular class of people have escaped taxation, and that is the capitalists and the money-lenders. We cannot tax them, because many of them do not show their accounts. They have got many sets of accounts, one for the Court, one for themselves and the other for departments. If every district were to sell standardised books and there are water-marks and the stamp on the paper, and if it is insisted on that only those books should be allowed to be put forward in Court, and if such books as are standardised and sold, are produced before the taxation department it is then that you can tax them properly. Hitherto, we the

agriculturists have been taxed for them. Again, Sir, of course the Punjab and other provinces have been paying for Bengal which has got a permanent settlement. We ought not to pay for them. Let them tax themselves, if they like, for their own expenses. (Hear, hear.)

Then, another thing that is worth putting before this House is that the chaukidars, lambardars and policemen are low paid and they, therefore, have to live on the country. All the wrongs that they do are dubbed on to the Government, and this is one of the causes of discontent. If these people were appointed by the local people themselves, then directly they misbehaved, they could be dismissed. Now, the dismissing authority is different and the appointing authority also is different, and the people who are suffering have no voice in the matter at all. I think the more the people are associated, the better it will be.

Only one thing more I wish to point out. I refer to the tax on Machinery. India, requires machinery, and when it is only a young country in that respect to nip it in the bud is not a good thing.

I hope due consideration will be given to the suggestions put forward by the Members before the Finance Member. On the whole, I think I can congratulate the Finance Member on the success of the Budget.

The HONOURABLE MR. E. M. COOK: Sir, I do not propose to deal in any general way with the criticisms which we have heard to-day. I only rise to offer a very few, brief and somewhat disjointed remarks in response to several requests that have been made for information. In the first place, the Honourable Mr. Lalubhai Samaldas has been in some trouble about these Railway annuities. He maintains, I think, that there is some discrepancy between the figures in the blue book and the figures in the pink book. I can assure him that the matter is perfectly clear and that the pink figures are really the same as the blue figures, if you look at them together. The Honourable Member will find, if he opens the blue book and the pink book at the same time, that the total annuity payment in 1922-1923 (page 2 of the pink book and page 303 of the blue book) is £3,357,500. Now, if you convert that at Rs. 10 to the pound, you get 3 crores and 35 lakhs; if you convert it at Rs. 15 to the pound, you get 5 crores and 3 lakhs. That accounts for the difference. Out of that 5 crores and 3 lakhs, 1 crore and 17 lakhs represents real capital payments, and the remaining 3 crores and 86 lakhs represents true interest charges.

The Honourable Mr. Lalubhai also said:

'What about this 6 crores that is appropriated in respect of interest on our paper currency investments?'

I should like to remove one slight misapprehension that he is under, and that is that it is not 6 crores in respect of the paper currency investments; it is roughly 3 crores. If he turns to the table on page 331 of the blue book, he will find that out of those 6 crores, about 3 crores, including the Exchange adjustment, is in respect of the excess assets of the Gold Standard Reserve about £40 millions. I don't wish to prejudge any discussion that may take place subsequently, on some other day, as to the merits of this appropriation; but I must point out that the effect of not making it would be that we should be borrowing from the Gold Standard Reserve, and it is, I think, at least questionable whether that would be a proper solution of the difficulty.

I think one Honourable Member asked for some details of the 4 crores and 5 lakhs, which was mentioned in the Finance Member's Budget speech as representing the extra revenue which would be obtained by putting up the 2½ per cent. duties to 10 per cent. The estimate is as follows: 185 lakhs from Machinery; 110 lakhs from Iron and Steel and 110 lakhs from Railway plant, making up a total of 405 lakhs.

Another Honourable Member gave a figure of 25 crores as the total expenditure on Waziristan. The correct figure is 20 crores and 11 lakhs, up to the end of the current year.

I think the only other point I need trouble the Council with, at this late hour, is the Honourable Mr. Sethna's remark when he suggested—or so I understood him—that some of our accounts are kept on a 1s. 4d. basis and some of them on a 2s. basis, and I rather got the impression that he was not quite satisfied that there had not been a little concealment somewhere, more particularly as regards the true Military expenditure. This budget has been called all sorts of names, but, except by my Honourable friend, it has not been called equivocal. The Honourable Mr. Kale has corrected the Honourable Mr. Sethna, to some extent, and has pointed out that the figures are all on the same basis. The accounts are on the 2s. basis, and an adjustment has therefore to be made in order to bring the Home charges back to the true market rate of exchange. In the case

of the commercial departments that adjustment is made under the head concerned, but in the case of the non-commercial departments it is all lumped together under the head 'Exchange.' That has been the practice which has been followed for many years; whether it is a good or a bad practice I won't argue; but why raise this only about the Military expenditure? My Honourable friend might have raised it about any of the other non-commercial heads. (*A voice*: Particularly about Military expenditure). If my Honourable friend's observation is merely a request for information, then it is all right, but I hope that he is not making any suggestion that we were tucking away something which we would not like the public to see. If he looks at the figures of the Home charges given in the blue book, he will find that the Exchange adjustment on Military expenditure in 1922-23, which will be taken to the head 'Exchange,' works out almost exactly to 5½ crores . . .

The HONOURABLE MR. V. G. KALE: Therefore the Military expenditure is not 62½ but 68. That is my point.

The HONOURABLE MR. E. M. COOK: The Honourable Member put the point not so directly. I got the impression that he thought we had tucked something away somewhere. I now present him with the information that the adjustment is 5½ crores.

The HONOURABLE MR. V. G. KALE: Then the military expenditure is 68 crores instead of 62½.

The HONOURABLE MR. E. M. COOK: I think my Honourable friend's arithmetic is correct. Of course the same adjustment would have to be made for the current year, as also for past years.

I should like to have dealt with one or two other observations, but I do not wish to interpose between the Council and any other Honourable Members who wish to speak. I should, however, like to say that I don't admit that we could fund these deficits by increasing our borrowings. With very great respect to the Honourable Sir Edgar Holberton I don't admit that the Government have been too cautious as regards their ordinary annual borrowings. It is quite true that our rupee loan this year was 49½ crores, but he must remember that of that amount nearly 20 crores went to the discharge of war bonds, and about 5½ crores was lent by us to the Bombay Government, instead of their floating a loan themselves; so altogether only about 24 crores could be regarded as new money. We have entered 25 crores as our rupee loan this year, and also new sterling loans of £16 millions. I don't think, having regard to the state of the market for Indian sterling securities, and to the fact that this year we have very few war bonds maturing, that my Honourable friend can fairly say that that estimate is over cautious.

(At this stage the Honourable Sir Maneckji Dadabhoy left the Chair.)

The HONOURABLE DIWAN BAHADUR V. RAMABHADRA NAIDU: Sir, it is unfortunate for us that we who are in the second year of our existence are asked to face a budget which is worse than the previous one.

The Council must be doubtless aware that 87 per cent. of the population mainly depend upon agriculture. The Indian farmer is one that deserves sympathy from the highest to the lowest. The Indian peasant is proverbially poor. He depends mainly on monsoon conditions and a single drought upsets him. He cannot boast of even one hearty meal a day. He toils day and night being wedded to the soil. His income is fixed. His condition is not in any way bettered. The increase of taxation proposed on Salt, Yarn, Kerosene Oil, Post and Telegraph, and Railways may heavily press on him. I would plead on his behalf that he must be left undisturbed. Ryots must be allowed to travel as formerly without paying the extra 25 per cent. railway fare which the Government propose to levy. Let them enjoy the privilege of writing upon the quarter anna post-card. Instead of constructing the costly strategic railways on frontiers, may I venture to suggest that it would be profitable to construct tanks to facilitate irrigation? It will not be out of place, if I mention that a network of irrigation schemes as pointed out by the great Engineer, Sir Arthur Cotton, would be an advantage to India.

It is a fundamental principle that Expenditure must not exceed Revenue. The Government well knew the financial crisis of India. It is a wonder how the Government of India recommended the general increase in the salary and allowances for all the higher services in India without bestowing any thought upon the limit of their resources.

His Excellency the Commander-in-Chief, Lord Rawlinson, declared the other day that he, as military expert to the Government of India, cannot advise them to reduce the Army from what he considers to be an irreducible minimum. Last year the Government increased the expenditure on the

military from 40 crores to 62 crores of rupees. The increased expenditure may be said to be due to the reorganisation of the Army which was begun by Lord Kitchener and given effect to fully last year. A committee sat at Simla to inquire into the requirements of the Army. We are at a loss to know whether that committee was entrusted with the task of retrenchment also. Military expenditure is swallowing up more than half of our income. It has grown intolerably costly. Much money is already sunk in the unfortunate Waziristan. The little affairs on the frontier as they are called really cost us a mint of money. It is for the military experts to tell us when we shall get rid of this incubus. When Mr. Geddes is able to show an appreciable reduction in the Army expenditure in England, is it not open to the Government of India to pronounce what amount could be reduced in the budget for the Army?

It passes one's comprehension that His Excellency the Commander-in-Chief, with all his efficient Army, could not put down at once the rebellion in Malabar. It is sad to reflect that he allowed it to last for many months and we have not seen the end of it yet.

Even as early as 1881 Lord Ripon, whose Viceroyalty is enshrined in the hearts of India's millions and who, it must be remembered, had to face an Afgan War, the legacy of Lord Lytton's forward policy, and its concomitant frontier troubles, vigorously protested against an increasing Military expenditure. Writing to the Duke of Cambridge, Lord Ripon said:

'It is impossible for the finances of India to bear the burden of additional military expenditure. Every branch of our civil administration is already starved.'

When so long ago as 1881 it was found that Military expenditure had reached the limits of endurance by the people, I need not point out that its steady increase in the interval of 42 years which has elapsed, has gone beyond those limits, and no wonder that the cry for retrenchment is insistent and real. In this view I am glad I have the support of no less an authority than the 'London Times' which in referring to this year's budget says 'that the budget need not have been so large while India's military expenditure has become disproportionate to her Imperial revenue', and it urges the Government to terminate the forward military policy on the North-West frontier.

In saying this I am aware of the situation created internally by non-cooperation of which we have had a tragic instance in Malabar. I dare not suggest a sudden reduction in the strength of our Army, but may I not hope that means will be found and a programme will be adopted, as early as possible, for a gradual and a steady reduction in our military budgets, so that the burden may be eased though not at once, but in the course of a definite number of years?

After all, let me console myself that the additional taxation which we and the Government are forced to impose on the people, will not be a permanent fixture, but it will be removed soon after normal conditions come to prevail.

The HONOURABLE LALA RAM SARAN DAS: Sir, this Budget, I am sorry to observe, is very depressing and very disappointing. It is the primary duty of Government to keep its subjects contented, happy, and flourishing. I think this new proposed taxation does not tend towards this object at all. It is a matter for great regret that the Reformed Councils should have started not only with an empty purse, but with a big deficit every year. These growing deficits have enhanced the difficulty which our Finance Member has to face in tackling the Budget each year. The manner and the way in which he has tackled the Budget this year and has kept the Government solvent is looked upon with great dismay and resentment in the country. I would strongly recommend that the Finance Member may kindly recast the Budget and give the Budget a toning-down effect. The root-cause of the present discontent in the country is economic distress, and, in case this economic distress is increased, I think Government will find more troubles than it anticipates. Military expenditure, of course, is enormous and a number of my Honourable friends have greatly dealt with this matter. His Excellency the Commander-in-Chief has said that the percentage of the Military expenditure on our total revenue is not 55 per cent. but 30 per cent. Even 30 per cent. is very high as compared with the normal times. I cannot understand and I think Sir Edgar Holberton and Sir Arthur Froom, who seem to have justified this high Military expenditure, have not convinced this Council regarding the necessity of keeping up this I should say to a great extent, unnecessary expenditure. At present the European Army is all recruited in England and under the present system it has to be paid for at the rate of salaries which are paid in Great Britain. India is a much poorer country and it cannot, therefore, afford

to pay the wages which are current now in England. I would suggest that the European Army for India should be raised here and in that way I think a good saving can be effected. We have noticed that our Army expenditure has been constantly rising, and from 18 millions sterling it has now reached 42 millions. Of course, a great deal can be said on the point that, when other countries are increasing their armies, why should not India increase her armies? This competition, I consider, is disastrous in its effects, and for that reason a Conference was held at Washington which considered the reduction of armaments and the reduction of expenditure thereon. India, too, has, I am glad to observe, gone in that direction by coming to some terms with Afghanistan. We are, of course, liable to be attacked from Central Asia and in order to safeguard India, some Army is to be maintained. But in case treaties could be made with these countries, I think we can safely reduce our Army. New duties as now proposed are bound to retard the progress of our industries, and I consider that Government is adopting an inconsistent policy when it, instead of fostering the industries, gives them a set-back. India requires great industrial development, and it is only through the industrial development that the country can bear higher taxation or raise more revenues than it can at present. Sir Arthur Froom has depicted the picture of a poor Indian differently and Sir Dinshaw Wacha has given a right reply to that. What I want to add to that is, that a number of harvests have consecutively failed and that India has thereby suffered very heavily. The cost of living has gone up very high and there is a large portion of people who find it very difficult to have a good living. There are famines in the country and a number of people die of starvation. Of course, India has gained by the great war, but that great gain I find is in the matter that Indian armies have fought side by side with their British brethren and have gained and enlisted the sympathy of the British Parliament and of the world at large. Excise duty on cotton piece-goods will be considered and will be misconstrued in various quarters. As the Honourable Saiyid Raza Ali has already quoted the policy underlying this Excise duty, it is not, I should say, proper. British people are for free trade, but in this way they are trying to resort to protection of Lancashire. The import duty on Machinery has been increased practically four times, and this fact will be taken by the public as a great step towards retarding the industrial progress, and I would strongly advocate that, in the interests of the development of the country, Machinery should be treated free. It has been said that this budget taxes particularly the rich and not the poor. I do not agree there. What I think is that the poor are being equally taxed and taxed heavily. Salt tax, increase in Railway fares, increase in Postage rates and particularly in the Post-card, will be a great hardship on them. His Excellency the Commander-in-Chief has explained that in Waziristan the operations were simply defensive and that they were not offensive. Well, it is a great consolation to know that, because at present the finances of our country do not admit of any offensive operations. I quite agree with my friend the Honourable Sir Maneckji Dadabhoy that, although he and I both are against the export duties, export duty on seeds, bones, minerals, oil seeds, coal, hides and skin and jute be increased in case the finances of the country demand them.

The HONOURABLE SIR MANECKJI DADABHOY: I did not refer to jute and minerals in my speech.

The HONOURABLE LALA RAM SARAN DAS: Very well, I add those items myself. What we see, Sir, to be the chief feature of the new budget is an increase in import duties alone, but there is no increase in the export duties. I see no reason that only the imports should be touched and that exports should be quite free. The loss of 16 crores in Exchange is simply deplorable, and some efforts should be made to avoid this loss in the future. Of course, I cannot at this stage say whether a Gold currency in India is advisable or not, but I should say that some steps should be taken either by the introduction of Gold currency or of something else, by which such results may be avoided. One of the Honourable Members of this Council took Rs. 50 a month as the average income of an Indian. I disagree with him. I do not think our average income is even Rs. 30 a month. (Cries of 'Rs. 50 a year and not a month') I think you are probably right. My friend the Honourable Sir Umar Hayat Khan has cast a great slur on the commercial community by saying that they keep forged accounts or that they keep triplicate accounts for different purposes. I myself happen to be a zamindar as well as a business-man and I strongly resent that remark. Business-men keep more accurate accounts in their own interests than agriculturists, whose accounts may or may not be kept so elaborately. The Honourable the Malik Sahib has also drawn the attention of the House to the fact that capitalists and money-lenders are not being properly or adequately taxed. I differ there also from my Honourable friend, who, for all practical purposes, is a capitalist himself, because he himself, as an agriculturist, has to deal with the big produce that he gets from his lands.

I am glad to learn from His Excellency the Commander-in-Chief that ten more battalions of the Territorial Force are to be added this year, but His Excellency has not shown us what corresponding reduction has been made in the ordinary forces when this new force has been added to our present forces. On page 321 of the Demand Estimates, under the head of increase in column 1, I find that the increase in the price of food-stuffs and other consumable stores over the scale adopted in the Budget of 1921-22 is one crore and 83 lakhs. As far as I know the forward contracts for wheat and other food-stuffs are being entered into at comparatively very cheap rates, so I cannot find any justification for such a big item being retained here. I hope that the Honourable the Finance Member will enlighten us on this point, how the amount of 1 crore and 83 lakhs has been arrived at.

As regards the Air Force, of course I am not an expert in that direction, but, so far, we have not seen that we have gained very much materially by the introduction of the Air Force, and, in case the Air Force has to replace the ordinary Army, in case the Air Force is considered to do more work because of its easy accessibility to any place, a corresponding decrease in the ordinary strength of the Army ought to be made.

Of course it has been a great satisfaction to me to hear from His Excellency the Commander-in-Chief that, in case the new Treaties with Kabul and perhaps with other countries come into effect and are adhered to by the Governments with which they have been made, he expects to show a great reduction in his demand next year. Of course, we all wish that there may be peace in the land and that the other Governments, I mean the other countries in their own interests, as well as in ours, might agree to this humane proposal.

The HONOURABLE MR. K. V. AIYYANGAR: Sir, I have little to add to what the non-official Members of this Council have said, but I want to add a few words on one or two points. His Royal Highness the Prince of Wales in his speech at Madras assured us that our voices are respected in the Councils and they go to frame the policy of the Government. All right-minded gentlemen of the ruling race, who believe in the higher destinies of the Indians, are of the same opinion. Let us dismiss from our minds the silly outpourings of such diehards as the President of the Bengal Chamber of Commerce who has the other day tried to discredit the Government as influenced by Resolutions in the Legislature.

In examining the Budget that is before us we feel and hope that the Government will be responsive enough to consider favourably the wishes of those who are co-operating with them for working out the reforms with success and who are at the same time here for doing good to the country. The Budget that is before us is sure to press very heavily on the poor and also to wipe out the nascent industries of the land. In the face of hard facts no sophistry or threats can influence us to take any other view. Even the Secretary of State a few days ago has said in Parliament that India is a highly taxed country. Let us examine the difficulties of Indian textile merchants in the light of fresh taxation proposed, and in doing so I would be only adding to what the Honourable Sir Dinshaw Wacha, the Honourable Mr. Sethna, and others have said about them. The income-tax and the super-tax on the millowner comes nearly to half of his profits. Added to this a 10 per cent. tax is put on Machinery in case a new mill is to be started. And the *ad valorem* duty of 7½ per cent. on cotton manufactures works out to nearly 30 per cent. of the net income. Then there is the tax on advertisement. While the packet post containing foreign advertisements are allowed to be imported free of duty, the Indian merchants are handicapped by the heavy duty put on paper, etc. With the increase of Salt duty, Postage, Cloth, Kerosene, Match boxes and the increased Railway fares, the Indian millowner will decidedly have to pay a higher rate of wages to the labourer. Apart from the standpoint of the millowner, even if we take the standpoint of the poor people, as was pointed out by the Honourable Mr. Kale, the tax on cloth will be a very heavy burden on the poor. The Indian-made cloth is, as Mr. Sethna drew our attention to, used only by the poorer classes. Even in these days of Indian cloth boom very little margin of profits will be left, while in ordinary times this industry is bound to perish if this high duty is continued for years. With all these difficulties, coal cannot be obtained very easily and it has to be imported all the way from England. Though no sympathy can be felt for the millowner who imports foreign yarns and weaves here, yet it should be said that that trade of the millowner with a five per cent. duty on yarns is doomed for ever. The Indian millowner fares this way and I need not dilate upon the condition of the poor people under this Budget. It is feared that the cost of living will nearly be doubled with the increase of the Salt and Sugar duty and a rise in the price of Cloth which the poor usually wear. The wishes of the representatives of the people should be respected when they emphatically protest against a tax being levied on

two essential necessities of life—food-stuffs and cloth. The duty on Kerosene, Match boxes and increase in Railway fares and Postage is also sure to press very heavily upon them.

The touchstone of the Reforms is the economic progress of the country; and if in the Reforms we see only very heavy taxation without corresponding benefits in the shape of improvement of education, irrigation, sanitation and industries, we have to agree even with the leaders of those who do not co-operate in running the Reforms. They seem to be justified in saying that the policy now followed is only a set-back to Indian progress and not an advance.

In the name of Exchange so much injustice has been done to our land. We do not want to have the prestige of an Indian currency, but we would like to have pounds, shillings and pence instead of rupees, annas and pies. If English notes and English coins are introduced into India, I think half the trouble in connection with Exchange would end.

The merchant community in our Presidency view the proposed rise in the super-tax as very abnormal, and they term it, in a telegram that was handed to me this morning, 'confiscation pure and simple.'

Provincial finance too is very disquieting. The lion's share that each Province has to contribute to the Imperial Exchequer is taken objection to. Lately in Madras an ingenious but uncharitable charge was made on the Councillors of the Imperial Assembly and of the Council of State, to the effect that they have not moved the Council to effectively reduce the provincial contributions only because they were actuated by a motive, that is, that we consisting more of Brahman Members did not want to place more finances at the disposal of transferred subjects in the provinces and thereby attempt to bring unpopularity on the non-Brahman Ministers. Let us dismiss it as a base, unfounded and silly charge. The Members of the Central Councils should be credited with the forethought, that even if it be not for demonstrating the efficiency of the Indian Members holding the portfolios of transferred subjects, at least for the subjects themselves they would have exerted themselves to put more money into the hands of the Provinces. We Councillors have the wisdom to foresee also that during the next elections, when the Nationalist party is sure to be in a majority, they will be subject to the same handicap as the present Ministers are in the finances, and so the system of taking heavy provincial contributions should be mended in the initial stages by us. As a matter of fact, many Members in the Assembly and here have been exerting themselves in that direction. To come to the main issue in regard to provincial contributions. There is some force in the argument that only because there are the transferred subjects, the items considered to be of less importance, that little money has been allowed to be handled by the provinces. The authors of the Reforms anticipated that, if the provinces are allowed to have at their disposal the sum needed for their provinces, the Ministers would spend the money and would not support taxation to pay for the Imperial revenues. There is no doubt that the transferred subjects are starved and that the pruning knife has to be applied to cut them even below the level of the pre-transferred period. A Madras Minister has been telling us the other day that he had to cut short much of the necessary items of expenditure. . . .

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member must get closer to the Budget.

The HONOURABLE MR. K. V. R. AIYYANGAR: At present both Provincial and Imperial Finances are in a very bad condition. I do not lament the loss in the Excise revenue from drinks or the loss due to the curtailment of the imports of foreign goods. Both these are *highly beneficial* for the moral and economic progress of India, and in course of time the Government as well as the representatives of the people have a duty to perform in seeing that these two items of income are wiped away from the Indian Budget. It is no doubt a large sum and the financiers of Government should vigorously work out the other sources of taxation, but I repeat it is their duty to see that these two items are not counted upon at all.

In such abnormal times as this it can be pertinently asked whether the Government cannot postpone the expenses contemplated to be incurred on Railways and other items that consume much of the capital expenditure. Here I acknowledge the force of the argument raised by the Honourable Sir Dinshaw Wacha that the Railways are paying concerns and we should not reduce the expenditure here. If we cannot reduce expenditure in that direction, then there are other items. Why not give effect to what the Honourable Sir Dinshaw Wacha has suggested in his speech of saving a crore, and spreading the savings for over a period of 20 years to save this huge deficit? During the war, Railway and other items were curtailed and

in this year of our abnormal deficit we should copy the war-time budget and curtail these items. When the country is enjoying peace I echo the sentiments of many that the Military budget also should be cut short. I do not blame the Commander-in-Chief or the Honourable Sir Malcolm Hailey for having such a huge budget for the military. But if we are to probe into the facts of this matter, we should find that the whole deficit is due to the working of the Esher Committee Report. It is due to that enemy of Reforms. He is not here and I do not know whether I am permitted to say it, but Sir Michael O'Dwyer, who was responsible for drafting out the proposals of the Esher Committee, is responsible for this huge deficit.

Why should all the deficits be covered by fresh taxation? We may vote for a deficit Budget and also cover part of the deficit by the flotation of a loan. I am sorry that we cannot be a party to this heavy taxation, and we decline to be made a tool for this purpose. It is not only that the country will pounce upon us for co-operating in the dirty task, but it is against our conscience. As it is, we should throw out the Budget and respectfully request our Finance Minister to substantially amend the taxation and save the country from famine and chaos, which would be the inevitable result of the Budget as it has been presented to us.

The HONOURABLE SIR MALCOLM HAILEY: Sir, the preparation of a Budget is at any time no light task. But the preparation and the presentation of a Budget in a year such as we have experienced—a year which has been described as exhibiting the deepest depression in trade for a hundred years—I say the presentation of a Budget in such a year presents a task full of anxiety, full of difficulty, full of heart-searching, for Government. Yet such a task has its alleviations. It has at any rate had such alleviations for me to-day, when I have listened to the remarks and the criticisms of this Council. The Council, as I anticipated, has fully recognised those difficulties; it has not failed to express some measure of sympathy with Government in the very abnormal and unusual circumstances which we have had to face. Not only so, but the Council has realised that it is a problem in which we need the assistance of its co-operation, and its constructive ability. The Honourable Mr. Lalubhai asked whether or not we need its advice. Need I reply to that? We welcome not only its advice, but also its practical suggestions, for many of its Members are men deeply versed not only in current finance, but in the problems which have attended the financial history of this country. I know that many Members have felt it incumbent on themselves to criticise severely; they have indeed spoken of the Budget in epithets that I have not hitherto seen applied to it elsewhere. It has been called reactionary, retrograde and impossible; it has been said that certain parts of my proposals are an insult to the intelligence of India. One Member, if I have not misunderstood him, even suggested that to vote some of my projects of taxation would be a dirty task. But I am far from resenting such terms, for I know that those epithets are only used in order to add impressiveness to the criticisms which have been made.

I have conceded that this Budget has been treated by the Council to-day in the spirit in which one would wish to see a serious and responsible Assembly treat a problem presenting such overwhelming difficulties. In dealing with the causes which have produced the deficit of the current year and of the three previous years, they have not, as others have done, charged Government with running a rake's progress with unthinking profligacy for a long series of years. They have realised that our deficits in the past have been due largely to abnormal circumstances. They have not forgotten that in the accumulated deficit of 90 crores, which now weighs so heavily on us, are to be found not less than 23 crores due to the Afghan war, and a further very large sum due to frontier expeditions. They have also realised, I am sure, that in that same amount is included large adjustments on account of war expenditure in the last two previous years. They will have realised, I am equally certain, that part of that deficit is due to the effort which India made to assist Great Britain in the great war, owing to the high interest charges involved in financing the free grant of 100 millions which India contributed to Great Britain in her difficulties. If that is one of the causes of our present condition, it is not dishonourable to India. (Hear, hear). It reflects no condemnation on the financial management of this country. Sir Dinshaw Wacha, in analysing the cumulative deficits of the past years said that for many years (over ten years in fact) we had really been working to a net loss, in that we had depended on the profits we were making from our Railways to equalise our expenditure in other directions. As a matter of figures that charge is true; I admit it that we have consistently added the Railway surplus to our general expenditure. I know his feeling on the subject; but I would ask him whether India at large was during those years prepared to accept the proposition that we should not add on to the general revenues the surplus profits from Railways. I think that in spite of the criticisms that have now been levelled at us in regard to that side of our financial policy, yet at the time India at

large was thoroughly convinced that our action in taking the profits of Railways to our general revenues was justified. As for the deficit of the coming year and of the year which is passing away, that I think needs no further detailed explanation or justification at my hands. It is very generally recognised that it is due to causes over which we have no control. It is due to the world depression of trade, to the falling exchange, to the losses we have incurred in working our great commercial departments. I would only ask the Honourable Members here present to realise that great as has been the increase in our expenditure of recent years, great and regrettable as it might have been, yet it is small indeed in comparison with the increase of expenditure of other great countries which have been through the world war. The expenditure of England is now 5 times what it was before the war. The expenditures of France and Italy are from 7 to 9 times what they were before the war. I mention this fact only as showing, if additional proof were necessary, that we ourselves would have found it difficult to escape in the present abnormal conditions of the world, from a calamity which is common to nearly every other country, namely, a great and unavoidable increase in expenditure, together with the falling-off in ordinary revenues.

Well, there the deficit is and the problem which has troubled us and has troubled the Council, is on what principles are we to act in the face of a deficit of this nature? Are we to leave it uncovered? Sir Maneckji Dadabhai suggested that it was not necessary to cover the deficit to the extent we have suggested. I think, however, that after taking up that attitude, he showed a certain tendency to avoid standing by his conclusions. He asked us why we should attempt to cover our deficit, when England is the only country which has attempted a similar operation? Let me ask him on what analogy then is our finance to be based? Is our finance to be based on the analogy of the bankrupt countries of Central Europe or on the analogy of the country which has always stood highest in the world for its financial conscience and its financial soundness? I knew that the East does not always need to or wish to follow the West; but if it is looking for a preceptor in State finance, I think it can take no better preceptor than England.

But we have been offered an alternative suggestion. It has been put to us that instead of attempting to cover our deficit, we should be content to meet as much of our expenditure as possible from our loan operations. Now, on the 1st March I attempted to explain the great difficulties underlying a policy of that nature, that is to say, that if we are to meet our expenditure purely by extending our floating debt, that is, from accumulating fresh Treasury Bills, we might, even if we should succeed in raising the necessary money (a matter of grave doubt), easily provoke a crisis in the money market. At any particular time there may be a fresh and insistent demand for money, and if we were coming on the market at the same time, we might provoke a very serious state of affairs indeed. It is suggested, however,—I think Sir Edgar Holberton suggested this—certainly the Honourable Lala Ram Saran Das did so—that we should meet our expenditure from loans proper. My Honourable friend, Mr. Cook, has already explained the circumstances under which we have taken a sum of 25 crores as a reasonable limit for our Indian loan for next year. Although we should be glad to get more than that, yet I think it would be exceedingly unwise to rely on budgetting for a much larger loan in India than we have already provided. Honourable Members who have put forward this proposition, have at the same time limited it by certain safeguards. They have said that, given something like stability in the country, given something that would guarantee us against a prospect of serious disorder in India, then we can safely calculate on getting a larger loan. It is that guarantee and that proviso which in my mind constitutes the greatest difficulty. If we could be certain that the paralyzing effects of the agitation in this country would pass away, we might well assume that the loan market would be more favourable. But the Council knows, as well as I do, perhaps more intimately than I, what the state of the country is. Can we justly make those assumptions, and can we justly budget on them? If, on the other hand, we are right in taking the more limited view of the possibilities already described by me, then undoubtedly the whole of our loan would be required to meet the standing capital liabilities which I have described in my statement of 1st March. Nothing that is would be left for meeting the ordinary current expenditure of the year.

Then, Sir, if we put on one side that device, what is left? We have been told here that there is one way, and one way only, to meet this emergency that is, a serious reduction in expenditure. Now, just as when the discussion was carried on elsewhere, the attack has centred almost entirely on military expenditure, for the opinion seems to be that our efforts to retrench civil expenditure, (though I again assure the Council that those efforts will be sincere and will be pushed home to the best of our ability) would not make any substantial difference to us. It would in that case be

left to us to attempt to meet our deficit by a serious reduction of military expenditure. Now Mr. Sethna referred to the possibility of our allying ourselves with those vituperative critics who are prone to condemn any attack or any criticism of military expenditure. I need not tell him that I am not likely to join those vituperative critics, I do not sympathise with them; certainly in so far as they are vituperative I dissociate myself from them. The Council knows to what I refer, and will take my meaning. But as regards military expenditure, our justification in reply must be of the shortest. The Council has heard His Excellency the Commander-in-Chief on the subject; and Mr. Sethna referred also to my defence of military expenditure. For myself, however, I have left the explanation of military expenditure to the Army Member of our Government. I need not repeat in detail what he has said, but the point comes simply to this, that the Government, that is the Government as a whole, after the most careful examination of military expenditure came to the conclusion that no further economies of any importance could be effected without a reduction in combatant troops. Certain Members have spoken as though the fixation of the military budget consisted in a series of conversations, possibly amicable and possibly otherwise, between the Commander-in-Chief and the Finance Member. That is very far from the actual procedure adopted. The items of military expenditure are examined, the possibilities of reductions are explored by Government as a whole, and I can only say that Government as a whole has come to the decision that no serious further reduction could be made without reducing the present strength of the troops or seriously modifying the composition of the Army.

The HONOURABLE SAIYID RAZA ALI: That decision is wrong.

The HONOURABLE SIR MALCOLM HAILEY: Well, Sir, I am merely stating the decision we came to after the greatest deliberation, and if the Honourable Saiyid Raza Ali thinks that we were wrong, I can only bow to his superior judgment, which I am naturally bound to respect; but I am afraid that at present he has not furnished me with sufficient facts in order to allow me to put pressure on Government to alter their decision. His mere statement to that effect is not sufficiently convincing. Since Government has come to that decision, it is not competent for any Member of the Government to put forward his individual views; it is not competent for the Commander-in-Chief to express the view that the sum is entirely insufficient, or for the Finance Member to urge that the sum is entirely excessive. I have stated the full and considered opinion of Government as a whole, and by that decision we must stand. So, if no serious reduction can in effect be made there—and I must take that as an hypothesis for the present,—then we come to the means for meeting the deficit.

Now I think the House generally has agreed—I have heard very little against the proposition that I put forward—that the great commercial Departments must be made to pay for themselves. Members who have spoken have shown a strong dislike to the proposal that we should increase the rates of Postage and Passenger fares, but nobody has denied our main proposition that these Departments must not be run at a loss to the general tax-payer. As to the exact details—well, Sir, the details are always open to discussion and recasting. But I desire to hear what concrete proposals there are for making these Departments pay their way other than those we have put forward.

Then as to the proposed taxation. Our list of proposed taxes was long. That they should commend themselves to the country as a whole was, I know, practically impossible. That they should have been welcomed by the Legislature—that again I know was hopeless. I can only say that we put them forward after the gravest deliberation, and in view of our necessities and nothing else. They have been objected to on two grounds—firstly, that they would add very greatly to the burden on the poor, and secondly, that in certain cases they were inequitable in themselves. Any tax on consumable articles must add to the burden on the cost of living; so much must of course be admitted. What I cannot admit here are the calculations that we have heard as to the extraordinarily exiguous income which now represents in modern circumstances the average income per head throughout India. Sir, if some of the calculations we heard to-day were correct, then I am afraid that a large number of people in India would, during the last 2 or 3 years, have passed entirely out of existence. It is quite clear that the current calculations as to the average income per head must be revised in modern circumstances. Given the general increase in average incomes, I cannot believe that an addition of 3 annas per annum per head on account of salt, however people may dislike it for political reasons, can in itself be regarded as excessive. Nor do I believe that if you take the huge number of people who travel by passenger train every year and divide that over the sum which we propose to get by the increased fares, then the addition would amount to a very heavy individual burden. However, there the fact remains. If you can

give to us a more certain, a more equitable, a more evenly distributed way of producing the money, let us hear it, and we shall be only too glad to consider it; but, in the meanwhile, my proposition remains, that the money is required to cover the deficit and that it would be little short of disastrous to attempt to carry on without it.

Then there are certain items of taxation which have been attacked because they are unreasonable or unjustifiable in themselves. Of course the principal of these is the cotton excise duty. Now, Sir, it cannot be supposed that Government were for one instant blind to the long and contentious history of that tax. It cannot be supposed that Government entered lightly on my proposal which would be likely to alienate the mill-interests of Bombay and Ahmedabad and elsewhere. We know well what our obligations are to them in regard to our previous loans. We know how exceedingly difficult it would have been throughout the War and since the War to finance the country unless we had had their good-will, their confidence and their trust in our financial stability. The reason, and the only reason, why we proposed to make this addition to the cotton excise duty was because we were raising the general import duty on cloth to 15 per cent., and we felt that the extra 4 per cent. which we are proposing to place on cotton excise would not in itself make any addition to price of cloth to the general consumer. I think I am right in saying that the prices of mill cloth are largely, if not entirely, based on those of the imported article. What would be the consequence, therefore, of raising again the tariff duty on the imported article and leaving the cotton excise alone? If I am correct, the consequence would have been simply that amount of extra profit to the millowner. The Honourable Sir Dinshaw Wacha, versed in these old controversies from the past, made a powerful appeal for the absolute abolition of the duty. May I ask him one question? Would the abolition of the cotton excise duty result to-day, or in any early period of time, in a reduction in the price of cloth to the consumer?

The HONOURABLE SIR DINSHAW WACHA: Certainly it would. No prophet is required to tell that.

The HONOURABLE SIR MALCOLM HAILEY: I still pause for a definite answer to that question.

The HONOURABLE SIR DINSHAW WACHA: My argument is that it is inequitable.

The HONOURABLE SIR MALCOLM HAILEY: The millowner naturally bases the price of his production on the competitive rates.

The HONOURABLE SIR MANECKJI DADABHOY: But you control them if they go astray.

The HONOURABLE MR. SETHNA: What about competition between mill-owners themselves?

The HONOURABLE SIR MALCOLM HAILEY: There is very little competition. They are answerable for only 40 per cent. on the total cloth consumed. As for control, I say Heaven help the man who might come before this Legislature and put forward a law suggesting that the millowners should reduce the price of their product to what we consider to be the proper price! Well, Sir, those are the grounds on which we hope to put that forward. Now, as to the alternatives that were offered to us, I again wish to acknowledge the fact that the Council has put its constructive ability at our disposal, to help us in the sore and difficult task which is before us. Well, Sir, Sir Maneckji Dadabhoi would, instead of raising the cotton export duty and the duty on machinery, on which so powerful an attack has been made from every quarter here to-day—an attack of which we must take account,—instead of doing that, he would raise the flat rate of company super-tax. That is a proposition, Sir, which will have to be seriously considered before the next stage in the annual Finance Bill. Then, again, Mr. Lalubhai Samaldas would reduce our liabilities by transferring to capital the sum which we now set apart from revenue for payment of railway annuities. He would also take the step which has been advocated in the press and elsewhere of ceasing to earmark to the paper currency reserve the interest on our paper currency securities. Those are two difficult propositions, the latter at all events of very wide import since it is one with which our credit with the rest of the world is somewhat wrapt up; and the House will not perhaps expect me to give a definite answer here this evening. Mr. Maricair would put an end to all our difficulties by removing the embargo on the export of rice. I do not propose to deal at length with his suggestion, because he was, I think, under some misapprehension as regards the figures. If I am correct, he has mistaken millions for thousands. In any case I would point out that there is no restriction at present on the export of rice from Burma, and that sole remaining restriction is in

regard to export from India; the net amount of export from India is comparatively small. Sir Maneckjee Dadabhoy and Lala Ram Saran Das would both assist the position by export duties. Sir Maneckjee would put them on coal, on bones, on manures and even on wheat. Lala Ram Saran Das would add to this taxes on minerals, also on jute, forgetting, I think, that we have an export tax on jute already. Now, Sir, it was perhaps not very imaginative of us that we decided not to introduce any tax of an entirely new description. Export duties do not of course in themselves constitute a novelty. We have tea, we have jute, we have hides. But we did not wish to add to the list for we did not wish in any way to prejudice the decision on the issues which lie before the Fiscal Commission. We kept, therefore, to what some of my friends on doubt may consider the purely hackneyed lines; we took existing taxes and we proposed additions to them believing that before we enter into any large policy of raising funds by heavily taxing our exports, we ought to wait the report of the Fiscal Commission.

Sir, I must conclude what I have to say regarding our budget and regarding the criticisms on it. But one point of substance remains. Lala Sukhbir Sinha put it to me that the most undesirable consequences will follow if I 'refused to budge.' Of course, it is not for me to refuse to budge. It is for Government to consider and reconsider, if necessary, the criticisms evoked by proposals which have been placed before the country. But leave that alone. What is to happen if Government refuses to alter its position? I am glad of an opportunity of referring to what Mr. Lalubhai Samaldas said in regard to an impression which had conveyed itself to him that we had yesterday adopted an uncompromising attitude—an attitude which implied that we would carry this budget through under our statutory powers at any cost; finally, that we had even gone so far as to say to the country—'If you do not pass this budget and every item of it, then, beware, for you won't get *Swaraj*.' Now it would be impossible for us to hold out any such threat. It would be impossible for us even to entertain language which might convey the impression of any such threat. I would remind my Honourable friend that the exact position which I had to meet yesterday was simply this—that not one, not two, but many of my critics had said to me—'Unless you reduce some substantial sum, such as 20 crores of rupees, from the military budget, we will wash our hands of the whole affair. We will throw on the Government the entire responsibility of every item of this iniquitous taxation. We will dissociate ourselves entirely from the whole proceedings.' Now, that was a definite statement made to us. The statement made to us was not that if we persisted in pressing our attempt to carry through any particular item of our taxation, the speakers would take the action I have described. The statement made to us referred particularly to a lump deduction of a heavy nature from the military budget. In discharge of my duty as a Member of Government, I had to say that Government had decided that it was impossible in the present situation to make any reduction of combatant troops, and therefore that I could hold out no hope of any such lump deduction from the military budget as has been asked for. I had to ask in consequence what would be the attitude in view of my answer. I felt it incumbent on me to add this warning. 'If you persist in it, if you persist in a policy of entire dissociation, if you say that the whole responsibility must rest with the Government, that they must carry through the rest of the measure themselves by exercise of their statutory powers, then I have to ask you what will be the effect of that action in regard to your aspirations for a speedy advance on the path of constitutional reform.' I held out no threat, Sir. If there was a threat, it was made to us. If there was a challenge, it was made to us. And, so far as concerns any answer given by me it was not a threat and it was not a challenge; it was simply—and I say this with emphasis—the advice of a friend, who has always attempted to promote India's advance on the path of constitutional reform; it was the advice of such a friend to those whom that advance is designed to profit; it was given in that spirit, and in that spirit only. (Hear, hear).

**Schedule of demands for grants for expenditure of the Central Government
for the year 1922-23 submitted for the vote of the Legislative Assembly.**

Number of demand.	Service, Administration or Area to which demand relates	Head of Account.	Amount.
			R
A. - Expenditure from Revenue.			
1	Customs	Customs	64,02,000
2	Taxes on Income	Taxes on Income	44,80,000
3	Salt	Salt	1,34,61,000
4	Opium	Opium	1,80,32,000
5	Land Revenue	Land Revenue	1,56,000
6	Stamps	Stamps	12,46,000
7	Forests	Forests	7,41,000
8	Railways (inclusive of Working Expenses and pay- ment of Surplus Profits to Railway Companies).	State Railways, Subsidised Companies, Miscella- neous Railway Expenditure	73,92,79,000
9	Irrigation (including Working Expenses), Navigation, Embankment and Drainage Works	Works for which capital accounts are kept, Miscellaneous Irrigation Expenditure, Construction of Irrigation, etc., Works	14,32,000
10	Indian Postal and Telegraph Department (including Working Expenses).	} Posts and Telegraphs	9,46,63,000
11	Indo-European Telegraph Department (including Working Expenses).		16,40,000
12	Interest on Miscellaneous Obligations	Interest on other Obligations	3,23,63,000
13	General Administration	General Administration	76,77,000
14	Audit	Audit	72,19,000
15	Police	Police	8,000
16	Ports and Pilotage	Ports and Pilotage	12,47,000
17	Survey of India	Scientific Departments	27,09,000
18	Meteorology	" "	5,83,000
19	Geological Survey	" "	2,21,000
20	Botanical Survey	" "	26,86,000
21	Zoological Survey	" "	1,41,000
22	Archæology	" "	14,72,000
23	Mines	" "	98,000
24	Other Scientific Departments	" "	3,57,000
25	Education	Education	3,01,000
26	Medical Services	Medical	7,79,000
27	Public Health	Public Health	9,69,000
28	Agriculture	Agriculture	7,73,000
29	Civil Veterinary Services	"	6,38,000
30	Industries	Industries	1,40,000
31	Aviation	Aviation	37,000
32	Commercial Intelligence	Miscellaneous Departments	3,34,000
33	Census	" "	3,47,000
34A.	Emigration—Internal	" "	1,12,000
34B.	" External	" "	22,000
35	Joint-Stock Companies	" "	1,11,000
36	Miscellaneous Departments	" "	12,59,000
37	Currency	Currency	30,36,000
38	Mint	Mint	19,64,000
39	Exchange	Exchange	9,95,50,000
40	Civil Works (under the control of the Public Works Department).	} Civil Works	1,00,10,000
41	Civil Works—Civil		41,000
42	Superannuation Allowances and Pensions	Superannuation Allowances and Pensions	20,73,000
43	Stationery and Printing	Stationery and Printing	67,34,000
44	Miscellaneous	Miscellaneous	12,96,000
45	Adjustments with Provincial Governments	Miscellaneous Adjustments between Central and Provincial Governments.	63,29,000
46	North-West Frontier	} Distributed over respective heads of account	1,16,40,000
47	Baluchistan		26,81,000
48	Delhi		30,41,000
49	Coorg		12,62,000
50	Ajmer and Merwara		15,11,000
51	Andamans and Nicobar Islands		52,89,000
52	Rajputana		5,08,000
53	Central India		5,73,000
54	Hyderabad		1,97,000
55	Bangalore		13,79,000
56	Expenditure in England—Secretary of State for India.		33,26,000
57	Expenditure in England—High Commissioner for India.		64,06,000
Non- Voted	Interest on Debt and Sinking Funds	Interest on Debt and Sinking Funds	
	Ecclesiastical	Ecclesiastical	
	Political	Political	
	Territorial and Political Pensions	Territorial and Political Pensions	
	TOTAL		1,11,95,17,000
B. - Expenditure charged to Capital.			
58	Railways	Construction of State Railways	29,97,53,000
59	Irrigation	Construction of Irrigation Works	2,69,000
60	Telegraphs	Capital outlay on Telegraphs	1,45,00,000
61	New Capital at Delhi	Initial Expenditure on New Capital at Delhi	1,96,65,000
	TOTAL		33,41,87,000
C. - Disbursements of Loans and Advances.			
62	Interest free advances		12,06,87,000
63	Loans and advances bearing interest		6,73,59,000
	TOTAL		18,79,96,000
	GRAND TOTAL		1,64,17,00,000

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED
UNDER THE PROVISIONS OF THE GOVERNMENT OF
INDIA ACT.**

Tuesday, 14th March, 1922.

The Assembly met in the Assembly Chamber at Eleven of the Clock.
Mr. President was in the Chair.

THE BUDGET - LIST OF DEMANDS.

SECOND STAGE.

Expenditure from Revenue.

(CUSTOMS)

Mr. President : The question is

‘That a sum not exceeding Rs. 64,02,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘Customs’

Mr. S. C. Shahani (Sind Jagirdars and Zamindars Landholders) : Sir, Rao Bahadur Rangachariar is unavoidably absent, and, as this is a Party motion, I beg leave to move his amendment. My own amendment is that from this Demand No. 1, Rs. 10,00,000 be taken away. My reason for the amendment I propose is that the expenditure over this Department has gone on increasing. I find that from the year 1911 to 1919 the cost of collection has amounted to 24 per cent., whereas from 1919 to 1922

Mr. President : Is the Honourable Member moving his own motion for reduction ?

Mr. S. C. Shahani : I beg to move Rao Bahadur Rangachariar’s amendment :

‘That the Demand under the head ‘Customs’ be reduced by Rs. 3,52,900.’

Mr. President : I called upon the Honourable Member from Madras to move the first of the motions for reduction standing in his name. The reduction which the Honourable Member refers to stands No. 11 on the list and not No. 1.

Mr. S. C. Shahani : I move :

Assistant Madras.	Collector,	‘That the provision of Rs. 12,000 for 1 Assistant Collector, Madras, be reduced by Rs. 3,600 to provide for the pay being fixed at Rs. 350 to 1,000.’
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In support of this amendment I beg to urge that the scale of salaries that has been sanctioned for this Department is very high. In the Budget presented last year, I find that the maximum for the pay of the Senior Assistant Collector was shown as Rs. 1,200, whereas in this Budget it has been raised to Rs. 1,750. There has been a corresponding increase in the salaries of other officials too. I, therefore, beg to point out that this indiscriminate manner of increasing salaries should be put an end to. I find that the persons who are appointed to do duty in this Department are not specially qualified. They do not go in for any technical training and there is absolutely no reason why their pay should not be in line with, for instance, the pay of the Executive Engineers in the Public Works Department, or the pay of the Superintendents of Police. I propose, therefore, that the Assistant Engineer’s pay, namely, Rs. 775, should be deemed an adequate salary for Assistant Collectors. High salaries do not occur merely in Madras, but are repeated in every other part of India. On these grounds, I beg to move the amendment that has been proposed by Rao Bahadur Rangachariar.

The Honourable Mr. C. A. Innes (Commerce and Industries Member) : Sir, I am afraid, on behalf of Government, I must ask the House not to accept an amendment of this kind. Let me first explain our arrangements for the recruiting of non-civilian Assistant Collectors of Customs and also remove certain misstatements which were made, no doubt unwittingly, by my friend, Mr. Shahani. We have in the Customs Department 21 non-civilian Assistant Collectors and, under the rules which are now in force, these Assistant

Collectors are recruited alternately from Home and by open competitive examination in India, held in conjunction with the examination for the Indian Finance Department. Mr. Shahani has said that the scale of these Assistant Collectors is unduly high and that it has been unduly increased in recent years. That statement is not correct. The scale of these Assistant Collectors was fixed in 1911 at Rs. 300 rising by increments of 50 to Rs. 1,450. The maximum was Rs. 1,450 before the last revision. In the last revision, we altered the scale only very slightly. We raised it to 350 rising by 50 to 1,500 and we attached to the officers recruited from Europe an overseas allowance varying from 150 to 250 a month. But we found that we had done absolutely nothing or practically nothing for Assistant Collectors, Indian and Anglo-Indian, recruited in this country. As a special case, therefore, we gave these Assistant Collectors the same overseas allowances as have been given to men recruited in Europe, but that applies only to men who were in service when the new scale was introduced. Future Assistant Collectors will be on this scale of 350 rising to Rs. 1,500. Now, Mr. Shahani does not propose that this scale should be reduced or altered for future entrants. He makes a definite proposition to the House that the pay of men already in service may be cut down. I ask the House if that is a reasonable proposition. We have recruited these men, the more recent of them, by open competitive examination. We stated the terms which we were prepared to offer and these men went in for that examination on that understanding. Take the case of the latest recruit. He was a gentleman who was employed in one of the Departments of the Government of India. He gave up that appointment and went in for the open competitive examination and he gained the vacancy. Is it fair, is it right that we should now, by a stroke of the axe, reduce the pay which that man was promised when he entered the service? I am quite sure that the House will realise that it is not a practical proposition for it to reduce the pay or the prospects of men already in the service. Whether the pay of officers in India should be on a lower scale is a different question. It is an important question, but it is a question which cannot be discussed to-day, for it will have no effect upon the present Budget. I put it to the House that it is not right that this House should cut down the pay or the prospects of men already in the service. Any revision or changes that may be made in this respect must be made with reference to future entrants, and it is, therefore, not a matter which will affect the Budget. It is a matter obviously which must be considered not in relation to one or two appointments in the Customs Department but to all Indian Services. That is to say, it is a question which should be referred to a Retrenchment Committee. I hope, Sir, that the House will not accept the Resolution which may do irremediable harm, which will cause Assistant Collectors and officers not only in the Customs Department but in other Departments also to believe that they cannot trust this Legislative Assembly, this Indian Legislature, not to embark on a policy which would amount to a definite breach of faith.

The Honourable Sir Malcolm Hailey (Finance Member) : If I may, I will add one point to what my Honourable friend, Mr. Innes, has said. Mr. Shahani, in introducing either the Resolution which he intended to introduce or the motion which he did not intend to introduce, stated that the cost of collection had amounted to 24 per cent. Now, if that were true, the House would indeed have reason to complain. I can imagine the feelings of a business man on being told that the cost of collecting our customs amounted to 24 per cent. of the revenue. It amounts actually to 1.97, which is a very different figure indeed.

Dr. H. S. Gour (Nagpur Division : Non-Muhammadan) : Is it not 2.16? It has gone up since 1919. See the statistics.

The Honourable Sir Malcolm Hailey : I have given it on the Budget figure for next year, but, even if it were 2.16, there is some slight difference between that and 24 per cent. I would further add that the increased expenditure, only 2½ lakhs occurs in the salaries of officers and the remainder of the increase, 19½ lakhs, is purely in the pay of the subordinate establishment.

Mr. President : The question is :

‘That the provision of Rs. 12,000 for 1 Assistant Collector, Madras, be reduced by Rs. 3,600 to provide for the pay being fixed at Rs. 350 to 1,000.’

Mr. S. C. Shahani : I beg to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

Mr. B. S. Kamat (Bombay Central Division : Non-Muhammadan Rural) : Sir, I move :

‘That the provision for contribution towards the maintenance of the Customs Recreation Club under sub-head ‘Sind Division’ be omitted.’

This amendment is more or less an old friend of this Assembly. It is proposed that a contribution of Rs. 2,520 be made this year also to the Customs Recreation Club, Sind. Members will recollect that this time last year the same item was discussed by this Assembly and an explanation was given by the Honourable Mr. Innes purporting to say that he would look into this question. On a division this contribution of Rs 2,400 was negatived last year by this House and yet we find this year.

The Honourable Mr. C. A. Innes: May I rise on a point of explanation, Sir? This is a different item and refers to Karachi. The other one was Bombay.

Mr. B. S. Kamat: That makes little difference. The principle is the same. Sind forms part of the Bombay Presidency and the principle is just the same. I object to the principle. I think the system of making contributions to social or recreation clubs is not a very healthy one. Last year the Honourable Mr. Innes told us that the practice was to levy a small fee, called the Sunday fee, from certain ships in some ports of India, and out of the collections from these fees it was the practice to make contributions to different clubs and also to certain other kinds of welfare work amongst the Customs Officers. At that time the Honourable Mr. Innes promised to look into this file and to see that the distribution of this fund was regularised and was made uniform so far as such clubs in different provinces were concerned. I want to elicit from him what are the total collections from this fund called the Sunday fees fund and out of the total collection I want to know what are the disbursements and whether Government have in their hands any surplus or any extra revenue from the Sunday fees fund.

I am sure the Secretary of State's orders are that Government should not make any profit out of such fees. I have no doubt that the Department over which the Honourable Mr. Innes presides must be distributing this fund equitably, but still I am not satisfied whether there are established similar recreation clubs for Customs Officers in all the ports of India. I am not also sure whether this fund is not utilised for other purposes than recreation clubs. Last year, for instance, the Honourable Mr. Innes told us that in Calcutta there was no recreation club whatsoever, but a part of this fund was utilized for assisting officers of the Customs Department in their sickness. That is to say, it was a nursing fund or something like a 'sickness fund.' Now, I do not see why there should be different ways of utilisation of this fund, and I think the Honourable Mr. Innes owes an explanation to this House regarding the distribution of this fund. Indeed, I rather feel that after the rejection of this particular item in one form at any rate last year at the hands of this Assembly, a similar item should not have been inserted in this year's Budget at all. It strikes me that this attempt to introduce this item is like a man who although he is turned out at the door, tries to enter the house through the window and I therefore have no doubt that this item ought to be entirely rejected. I move that this item be omitted.

Mr. W. M. Hussanally (Sind: Muhammadan Rural) : Sir, coming as I do from Karachi, I should like to say a few words with regard to this club which stands on a separate footing altogether from any club of the kind in other parts of the country like Bombay, Calcutta or elsewhere. The Customs Officers of the Preventive Department at Karachi have to reside at a place called Keamari, the port or harbour of Karachi, far away from all kinds of society, about 6 to 8 miles away from the city ; therefore, they are practically ostracised from all company or society; and it is absolutely necessary for them to have a club of this kind for their recreation in their hours of leisure. A club has been started there, and I have seen it myself personally. It would be absolutely impossible for the employees of the Customs Department at Keamari to support this club out of their own funds, and it is on that ground, I understand, that Government has been contributing this small sum for the upkeep of this club. If this sum is withdrawn, Sir, I am perfectly certain that this club will have to be stopped, resulting in considerable disadvantage to the service. The little amenity of life the employees have at present will be taken away. I therefore strongly recommend that this sum be retained.

The Honourable Mr. C. A. Innes: Sir, it is a fact that this question of a contribution to the Customs Recreation Club at Bombay was under discussion at the last Budget and I told the House that I was examining the whole question of the utilisation of these Sunday fees, and I am very sorry that I have not been able to complete that examination up-to date. I find from a file here that I wrote a note on the subject, when I was Secretary in the Commerce Department in July last. When I went into the question of these Sunday fees I at once found myself up against the whole question of overtime

fees, the system under which overtime fees are given in the different ports, and I found that the practice varied in the matter of Sunday fees and overtime from port to port. Consequently I wrote round to all Collectors of Customs and asked for full information as to the overtime fees collected and paid in the different ports and as to the manner in which the Sunday fees were allocated, my idea being that we should make an effort to systematise this matter from port to port. My idea was that, when I had got the whole matter cleared up, I should place it before the Standing Finance Committee. I have just obtained the file, and I find that a note was put up on the 14th February, but I have not yet been able to take it up. But I do admit that there is great discrepancy of practice from port to port in regard to the allocation of these Sunday fees. The principle has been laid down by the Secretary of State that the Government should not make a profit out of these Sunday fees. Well, I found that in at least one port the fees were credited to general revenues in spite of that pronouncement of the Secretary of State. In other ports we make small contributions to Customs Clubs one in Rangoon, one in Karachi. It does not appear in the Budget, but a contribution is also made to a Recreation Club in Rangoon. In other ports, in Calcutta for instance, by an order passed as far back as 1904, 10 per cent. of these fees go to the men, though in no other port do Sunday fees go to the men. The rest of the fees are distributed amongst charities. Well, that is the position, Sir. There is great discrepancy of practice. I have got the whole matter worked out here, and, if the House will hold its hand for the present I will undertake to place it all before the Standing Finance Committee at their next meeting. I think, that will be a better way of dealing with the question.

As regards the actual contribution to this Club at Karachi, I may explain that that contribution was sanctioned before the debate of last year, but it was not shown in the Budget; I do not know why. The main reason why the House were not willing to sanction this contribution to the Bombay Recreation Club was that the Bombay Recreation Club did not admit Indian members. I was unable to give an assurance to the House on that point, I am sorry to say out of my own ignorance, as, though the preventive service in Bombay had not then many Indians, it had some; in Karachi the case is entirely different. There is no discrimination of any kind. The contribution is very small. As I have stated, we are not supposed to make any profit out of these Sunday fees; and I think the House will agree with me that Government, being probably the largest employer of labour in India, ought to set an example in trying to do a little social welfare work. This contribution, as I say, is a very small one, and it is for a club which admits all members of the preventive staff in Karachi, whether Indian or European. I suggest that the House might leave this small item alone on the understanding, as I have said, that the whole of this question of overtime fees and Sunday fees will be put up to the Standing Finance Committee at its next meeting in April or May.

Mr. T. V. Seshagiri Ayyar (Madras: Nominated Non-Official): Sir, I object on principle to the giving of public money to a private club. There is no objection, if the Honourable Industries Member so thinks, to withholding or giving up the whole of these Sunday collections, but to say that you would collect the money, credit it to the Government exchequer and subsequently disburse it to a private club seems to me to be altogether opposed to principle. Sir, Government lays itself open to this reproach, if some club asks for a similar contribution and they refuse it, that they have given it to one particular club composed of a particular class of individuals, and have refused it to others which admit other individuals. It is not a sound policy to give money, public money, to a club run by private individuals. If their pay is not sufficient to enable them to maintain a club, give them more pay, but do not disburse public money in this way.

Sir Deva Prasad Sarvadhikary (Calcutta: Non-Muhammadan Urban): Since the question of principle has been raised, it is worth while considering whether there is not another principle underlying the situation than that which has been referred to. It is not merely because Government is the largest employer of labour that these social amenities ought to be encouraged. In the interests of efficient work, for which we hear constant pleas, it is of the greatest importance that this aspect of the question should receive the attention of those who want to get the best out of the men they employ, and want to ensure their continued efficiency. Even in private offices and firms one tries to encourage the social activities of their employees from all points of view and that is right.

I intervene in this debate, not because I am prepared to support indiscriminate waste of public money, particularly in these times of stress when every

pice that can possibly be saved should be saved. I intervene because I am afraid that, if in exercise of rights that certainly do vest in the Assembly we seek to interfere in regard to things like this, the whole organisation is apt to suffer. Moreover, valuable time will be slipping by and we shall have no time to discuss more important items.

I remember an instance which makes me think of what I venture to call the other side of the question. Many years ago, when it was my privilege to go up to Simla for the first time in connection with Education, I found that great disorganisation existed in the social life of assistants—the lower assistants at any rate—in the public offices. The then Education Member and the Secretary, who is still with us and the Law Member were good enough to take up a suggestion from me and supported the making of a small grant for starting a social club in Simla, which found a counterpart in Delhi also. I have every reason to believe that since then our young men, who did not always know how to employ their time out of office hours probably and how to use the long summer evenings in Simla much appreciated and fully availed themselves of the movement. Some form of healthy and intellectual recreation has been possible and they have derived the greatest possible good out of these clubs at Simla and Delhi; and so have the Public Services proportionately. Only a small contribution was made by way of encouraging their activities and by way of showing that the Government was interested in their social life as well. I do not say that Rs. 2,000 or Rs. 200 is the proper amount to grant in a case like this, or that grants should be made in all cases; but I do say, if people or Government desire to get continued good work from those in their employ they should not be compelled to toil on amidst unc congenial and unhealthy surroundings from lack of initial organisation. This I say from a consideration of the good of the public service and of the health of the employees. Small contributions like this in suitable cases ought not to be objected to. It ought to be left to the discretion of the heads of the departments which clubs to support and to what extent. I quite appreciate the difficulties which have been suggested by Mr. Seshagiri Ayyar, that if one club receives a contribution and another does not, a serious difficulty may arise. But I have not the slightest doubt that, if a proper case is made out, Government would be willing to make a small contribution where it ought to be made. If my experience of the Simla and Delhi clubs, to which I have referred, is borne out in other similar ventures, I think that these small contributions are entirely justified.

The Honourable Sir Malcolm Hailey : Sir, as a general question of principle has been raised by Mr. Seshagiri Ayyar, I venture to intervene. It may very readily be supposed that a question of this type is one which closely concerns the Finance Department; because if we, as representing the financial conscience of the Government of India in these matters, were to allow indiscriminate grants to clubs, as he suggested might perhaps be done, then I should feel that it would be a very grave charge against us. But I have, while this matter was under discussion, been attempting to recollect cases in which we have permitted charges of this nature. I may remind the House that, under the Audit Resolution dating from the time of Lord Morley, all expenditure technically of an unusual nature had to come first to the Government of India and had further to be put before the Secretary of State. Now, this was emphatically a type of unusual expenditure of public monies which would have to be put before the Government of India and the Secretary of State, and no expenditure of this kind could, therefore, have been incurred without attracting our special note. I remember one case in which a grant was made to a Police Club, I think for the benefit of subordinate police officers; the object was to provide them with a tennis court. I remember also the case to which Sir Deva Prasad Sarvadhikary has just referred. We made grants here and at Simla mainly with the same object, namely, to provide recreation for clerks in our establishments. With those exceptions and the expenditure on the Customs Subordinate Clubs, I can at present remember no other case in which a grant has been made; and I think that Mr. Seshagiri Ayyar may rest assured that we should scrutinize demands of this nature with the utmost strictness. The grants, if given, would be confined entirely to recreation clubs for clerks and other subordinate establishments. Under no circumstance—perhaps I need hardly say that—but under no circumstances should we give a grant to what he describes as private clubs. Further, when demands of this kind have been made upon us, we have made it an invariable rule that the club should be open to all employees and not confined to any particular community. I think that with that assurance the House might perhaps accept the present proposal conditionally on the re-examination to which Mr. Innes is to subject it.

Mr. T. V. Seshagiri Ayyar: Would this be withdrawn now and submitted to the Standing Finance Committee? And will it be gone into during the Simla Session if necessary?

The Honourable Sir Malcolm Hailey: I understand that the whole question will be submitted to the Standing Finance Committee.

Rao Bahadur C. S. Subrahmanayam (Madras ceded districts and Chittoor : Non-Muhammadan Rural) : Sir, on this question two standpoints have been placed before the House. There is first the question of principle; then the question, I might say, from the patriarchal point of view. Both are interesting and both deserve considerable support from this House. But the answer which the Honourable Mr. Innes gave, I think, ought to have cut short further discussion, because he told us that this matter will be examined by the Standing Finance Committee and all the details will be put before them. I think that with that assurance this motion might be dropped.

Mr. N. M. Joshi (Nominated : Labour Interests) : Sir, I do not know why year after year some Members consider a small item like this a fit object for attack; perhaps because other amounts which Government spends on similar objects are not so apparent. But if they scrutinise closely the expenditure of the Railways, the Government Railways, they will find that large amounts are set aside on account of Institutes. I have seen buildings put up for this purpose by Government Railways, which are of course Government property. I think, therefore, that this is not the only item of expenditure incurred by Government for the social amelioration of its employees. Large amounts are spent on buildings for Institutes alone.

As regards the principle, I think it is the duty of Government to supply social amenities for their employees, as they would naturally like to recommend other employers to do the same.

Dr. Nand Lal (West Punjab : Non-Muhammadan) : Sir, to my mind a sufficient explanation was given by the Honourable Mr. Innes, and I thought there was not much justification for me to take up the time of this House. But Mr. Joshi has put forward a general recommendation which compels me to give him a proper response. Mr. Joshi should remember that no Department of the Government is allowed to gamble with the public money. If any Department of the Government (*Mr. Joshi*: 'I agree with you'), in order to recreate themselves, wish to establish any club, they should make individual and personal contribution to it and the Government should be careful that the public money should not be spent on an institution like this. On principle, as the Honourable Mr. Seshagiri Ayyar has put forward, it is not equitable and fair, *viz.*, that one Department of the Government may be supplied with this kind of recreating clubs, whereas the others may not. With these few remarks, I am in favour of this reduction and I submit that this reduction may be accepted by this House.

Mr. J. P. Cotelingham (Nominated Indian Christian) : Sir, I move that the question be now put.

Mr. President: The question is :

'That the provision for contribution towards the maintenance of the Customs Recreation Club under sub-head 'Sind Division' be omitted.'

The motions was negatived.

Mr. B. S. Kamat: Sir, the next amendment standing in my name is a cognate one, namely :

'That the provision for Overtime and Holiday Allowances wherever they occur under the Overtime and Holiday Allowances head 'Customs' be omitted.'

Members will notice that under the head 'Customs' there is a provision of something like 8 lakhs of rupees for Overtime and Holiday Allowances for Customs offices. The object of my bringing this matter to the notice of the House is also to raise the principle of Sunday Allowances. I am aware that, owing to the exigencies of service, certain officers in the Customs Department have to keep watch over ships entering the harbour, even on Sundays and other holidays, but, Sir, I do think that the system of having 'Sunday Allowances' is after all a very objectionable system; if possible, Government ought to devise another system to keep watch over the ships on Sundays or other holidays. As in the case of the previous amendment, as I have pointed out, this amount is defrayed out of the Sunday Fees Fund. If my information is correct—I am not quite sure whether I am right—we ought to know

what the total collections are and whether Government pays Sunday Allowances to officers from their ordinary funds or from the fees. In any case, I am sure a man who works on holidays or Sundays is not likely to work efficiently on other days of the week, and, therefore, to expect a man to work on Sundays, or to compel him to work on Sundays, or even to tempt him to work on Sundays by the offer of these allowances, is not a very good principle in administration. I believe Government ought to introduce some other system, either of shift or any other system they can devise, and stop this system of giving Sunday Allowances to officers in one particular Department, *viz.*, the Customs Department. After all, there are various other Departments (Hear, hear) which have got to work on Sundays; for example, the Telegraph Department, and yet we do not pay any such Sunday Allowances for other Departments, and I do not see why a particular Department, *viz.*, the Customs, should adopt the practice of giving Sunday Allowances. I, therefore, move my amendment.

Mr. N. M. Joshi: Sir, with your permission, I would like to move my next motion as an amendment to this motion, because this motion is for omitting the whole sum spent by Government on Overtime and Holiday Allowances and my motion is that it should be reduced by Rs. 4 lakhs. Am I in order, Sir? (Mr. President nodded assent.) Sir, my Honourable friend, Mr. Kamat, has moved his motion to raise the question of the principle. He is a well known politician, while I am not. (Laughter.) I do not propose to raise the question of the principle only. Perhaps he is not anxious that the whole amount should be omitted. But I am very anxious that these Rs. 4 lakhs should be omitted, and, therefore, I wish that the House should note that I am not merely raising the question of principle by my amendment. I want that the whole amount of Rs. 4 lakhs should be cut down, and for this reason. Sir, Government is spending in this Department on Overtime and Holiday Allowances Rs. 8 lakhs. The total salaries of the officers to whom this Overtime and Holiday Allowance is given is about Rs. 38 lakhs. The Overtime Allowance, therefore, is between 20 and 25 per cent. of the salaries of the officers. It means that every one of these officers works for 2 hours every day, after the total daily hours of work are over or after their office work is over, or that all of them work on all Sundays as overtime. I think, Sir, this looks quite absurd in my opinion. There cannot be so much overtime work in any Department. Therefore, the House should very carefully go into the explanation which the Government Member may give on this point. I can understand the necessity for a small percentage of the salaries to be spent on overtime. But the cases for overtime must be rare. If they occur so regularly that an amount equal to 25 per cent. of the regular salaries is secured by the members of the staff as overtime allowance, then it is for Government to devise a system of shifts and do away with the overtime. There is great danger in allowing the staff to get overtime regularly. If that system is allowed, you will naturally find the members of the staff taking rest during the office hours and making out a case for overtime work after the office hours. I, therefore feel that this reduction which I propose, *viz.*, half the amount which Government spends at present, is a very reasonable one and it will be very useful in making the staff of the Customs Department very efficient. Sir, I hope that the House will adopt my motion and I assure them that I have not proposed this motion to raise the principle, but I want this reduction to be made.

Mr. President : I will put the Honourable Member's reduction separately afterwards.

Mr. R. A. Spence (Bombay : European) : Sir, I am not speaking on a point of principle. I want to speak in defence of those who trade in the ports. If this Overtime and Holiday Allowance is not allowed, our trade is going to suffer very badly indeed. Ordinarily, according to the ordinary working time, the Customs office in Bombay starts at 11 O'Clock. If you want people to do your work in regard to clearing goods from ships in the early mornings, you have got to get the Customs Officials to come down. Government make you pay for that. Is it not right and reasonable that that payment should go to the Customs officials? We want this Overtime. We cannot get the trade done if we do not have people working in the mornings and also, at certain times, working late at night. I, therefore, ask, on behalf of the trade of this country, that this motion for reduction should be thrown out.

The Honourable Mr. C. A. Innes : Sir, Mr. Spence has anticipated one of the points I was going to make, though he has not got his facts quite correct. The first point I wish to make is that the overtime fees shown in

the Budget do not all go to the men. We have just been discussing the question of Sunday fees, and the Sunday fees, as I explained, except in Calcutta where a portion goes to the men, are voted to various charities.

The points raised by Mr. Kamat and Mr. Joshi deal entirely with overtime fees. The hours for working, for free working, in the Customs House are from sunrise to sunset; but that naturally is not enough for the trade. When a ship comes to Bombay or Calcutta, it does not wish merely to work in the day. Demurrage on a ship is very heavy, and that ship likes to work the whole 24 hours, night and day. Thus we have the first class of overtime fees, night fees for night work; then there are fees for work on close holidays other than Sundays.

With reference to our Preventive Officers, the rules are that their hours of work are a maximum of nine hours a day or 54 hours a week. If they do more than nine hours a day, subject to 54 hours work maximum, they are entitled to overtime. The overtime is paid by Government only in one case, that is to say, when a man does actual overtime, that is, more than 9 hours work between sunrise and sunset; that is a very small portion of these fees, and the cost to Government of these overtime fees is practically nil. For all other classes of overtime, that is to say, work at night, work on holidays, we collect the fees from the ship, that is the shipowners and merchants, and we distribute those fees to the men at specified rates. We probably make a little out of it, but not very much. At any rate, these fees are paid entirely by the shipowners, and they cost Government nothing at all.

Now, Mr. Joshi has raised the point that it is not in the interests of the men themselves that they should be allowed to do this overtime. There is certainly something in that point; but the men themselves like it, and it suits us, for the work in ports comes in rushes. When the rush comes, we simply put our men on overtime; they draw the fees. If we try to meet these rush periods by a system of shifts, it would mean that we should have to maintain a permanent staff in excess of ordinary requirements, that is to say, we should lose money over it. The advantage of the present system is that it is elastic; it adapts itself to the conditions of the shipping trade in that, when a rush comes, the men do the overtime work and are paid for it.

I hope that the House will be satisfied with this explanation. These fees, I repeat, cost Government nothing. They are collected from the shipowners and the merchants. The men like the system; it enables them to live; it adds to their comforts. They all live in extremely expensive ports like Calcutta, Bombay, Karachi and the like, and, that being so, I hope that the House will not accept these amendments.

Mr. President : The question is :

‘ That the provision for Overtime and Holiday Allowances wherever they occur under the head ‘ Customs ’ be omitted.’

The motion was negatived.

Mr. N. M. Joshi : Sir, I beg to move :

‘ That the provision for Overtime and Holiday Allowances (wherever it occurs) under head ‘ Customs ’ be reduced by Rs. 4,00,000.’

I have already explained the reasons for moving this amendment. The explanation given by the Honourable Member in charge of the Department is thoroughly unsatisfactory in my opinion. He has not made out a case why the rush period should come so many times in the year. I can understand a small overtime allowance, but I cannot understand why an amount equal to 25 per cent. of the salaries of the men should be spent in overtime. If this is the case, the whole system requires very thorough examination, and, therefore, the House, by adopting my motion, will give facilities for a thorough examination of this subject.

The Honourable Mr. C. A. Innes : I don't think I have anything further to say on this point than what I have already said. I have explained that this system suits the men and suits ourselves. It is an economical system, and I have already explained the point which Mr. Joshi has overlooked, that the overtime fees do not amount to 25 per cent. of the salaries of the men, because they include payments from Sunday fees which go towards other purposes.

I hope for the reasons I have already given, the House will not accept this amendment. It is a very dangerous thing to do. You have got these men drawing certain fixed rates of pay. For very many years past, they have also drawn overtime allowance, and reducing this provision by 4 lakhs

will reduce the emoluments of these men. You may thus set up discontent in a very important part of your Public Services, a service upon which 50 crores of revenue will depend next year.

The motion was negatived.

Mr. S. C. Shahani: Sir, I beg to move:

'That the demand under the head 'Customs' be reduced by Rs. 10,00,000.'

I would request the House to consider the question carefully. On page 1 of the Demands for Grants I propose dealing with three points; firstly, the total Budget Estimate for 1922-23; secondly, the salaries of Collector and Assistant Collector; and, thirdly, the salaries of Appraisers, Preventive Officers and Clerks.

To begin with the first point. The House will notice that the total expenditure for 1922-23 is estimated at Rs. 70,58,000. I wish to point out that, in the year 1920, it amounted to 46 70 lakhs, and in 1911-12, it amounted to 37.53 lakhs. The expenditure has thus increased during the nine years 1911-12 to 1919-20 to the extent of 24 per cent. and during 1920-21 to 1922-23 to the extent of 50 per cent. We have been told by the Honourable the Finance Member that the ratio of expenditure to revenue has risen from 1.8 to 2.16. It is true that the Customs is a very paying Department, but there is no justification on that account for the reckless expenditure that is being incurred in this Department. I call it reckless. Notice the increases that have been allowed to Collectors and Assistant Collectors in their salaries during the last year. If you will look into the Demands for Grants last year (page 1), you will find that the maximum salary of the two junior Assistant Collectors in Madras was Rs. 550—750; and these salaries have been raised from Rs. 550—750 to Rs. 1,750, an unconscionable increase. (*A Voice:* 'No, no.') At any rate, the figures there show it. Again, the maximum salary of the Collector was there shown as Rs. 2,350, and here it has been shown as Rs. 2,750.

I said, while dealing with the amendment that had been proposed by Mr. Rangachariar, that the salaries that have been allotted to the Senior Executive Engineers or the District Superintendents of Police would be quite adequate for the Collectors, namely, Rs. 1,300, *plus* Rs. 75 technical allowance *plus* Rs. 250 overseas allowance. The maximum should not exceed Rs. 1,625 in the case of the Collectors.

I maintain that the Executive Engineers receive more technical training and are qualified to receive more per month. My proposal is that the Senior Assistant Collector should not get more than Rs. 550 *plus* Rs. 50, *plus* Rs. 150, that is, Rs. 750 in all and the Junior Collector should not get more than Rs. 350 *plus* Rs. 150, that is Rs. 500 in all.

Then, I come to the next point, namely Appraisers, Preventive Officers and clerks. I find that these were mentioned separately in the book of Demands for Grants last year. I do not know why they have been grouped together this year. I take it that the number of Appraisers is 8 or 10—they were 8 last year. I do not understand why the head Appraiser should get more than Rs. 500 or why the junior Appraisers should get more than Rs. 200 to Rs. 400, and I do not understand why the Preventive Officers, whose work is not better than that of the Police Sub-Inspectors or European Sergeants, should get more than Rs. 80 to Rs. 160.

Then, I would request the House to look into page 2, and I would draw the attention of the House to the salary that is allotted to the Commissioner in the Bombay Presidency. I find that this post does not exist in any other part of India, and I do not understand why we should go on adding to the cost of the department unnecessarily. If other parts of India are doing their work efficiently without the Commissioner, there is no reason why we should have an additional Commissioner in Bombay. The next point to which I should like to draw the attention of the House is the Probationers and the provision that is made for these probationers in Bombay. In these days, qualified men can easily be secured and I do not understand why probationers drawing fat salaries should be provided in the Customs Department of Bombay.

Then, I would request the House to look into page 3 under 'Sind Division'. I find that two Assistant Collectors are provided for Sind. I know the working of the Customs Department of Karachi pretty intimately and I find that one Assistant Collector can be easily done away with. One, I understand, would be retiring in October next, and my own idea is that no one should be appointed to his post, since, in a recent scheme that has been sanctioned, one Auditor has been created drawing Rs. 400—20—600 and

two Superintendents have been brought in on a salary of Rs. 300 rising to Rs. 400. The next point on this page that I would deal with would be the house-rent and other allowances. It is not indicated whether this allowance is intended for officers or for subordinates.

The Honourable Mr. C. A. Innes: They are intended for subordinates.

Mr. S. C. Shahani: Then I would certainly support them, for these poor devils are paid small salaries and I do not wish in any manner to propose that their house rent should be taken away from them. Karachi is a very costly place and I should be pleased if an Examiner gets about Rs. 50 per month as house-rent.

Then, I would request the House to look into page 4. In Calcutta, a Chemical Examiner draws Rs. 1,600 and I find that in Sind our Chemical Analyser gets Rs. 250 *plus* Rs. 100. I have always felt that the work can be rightly done by a Professor of the Medical College and it is unnecessary to spend Rs. 1,600 on this appointment. In support of what I have said with regard to the Collectors on page 5, I want to draw the attention of the House to the Collector at Chittagong drawing no more than Rs. 900. I would request the House not to allow these concessional increases in the salaries of these high officers. Before I sit down, I would draw the attention of the House to one other point and it is this, that the Member in charge of Commerce deals directly with the Customs Departments in the different parts of India in matters relating to tariffs and duties and interpretation of Customs law, but, in matters relating to offices and appointments, the correspondence has to be carried on through Local Governments, which involves unnecessary delay. With these remarks, I request the House to consider the question carefully and to insist upon the reductions which I have proposed being made.

Sir Vithaldas D. Thackersey (Bombay Millowners' Association : Indian Commerce) : I ask your permission, Sir, to move the next proposition standing in the name of Rao Bahadur T. Rangachariar, because it concerns the same subject. Mr. Joshi was kindly allowed to move a motion for the reduction of 4 lakhs as an amendment to the proposition of Mr. Kamat.

Mr. President: It can be taken separately.

The Honourable Mr. C. A. Innes: Sir, this is another motion against which I hope the House will sternly set its face. Mr. Shahani proposes that, out of the demand of 70 lakhs under the head 'Customs', no less than 10 lakhs should be struck out by one sweep of the axe. I listened to his speech with the greatest care and attention and I must confess that I could discover no good grounds on which so large a reduction should be made, or indeed any reduction at all should be made. Mr. Shahani, in the first place, made some totally incorrect statements regarding the increase of the pay of Assistant Collectors in the Customs Service. As I have already explained to the House, the pay of non-Civilian Assistant Collectors was fixed in 1911 at Rs. 300 rising by annual increments of Rs. 50 to Rs. 1,450. The revision of pay which took place last year or the year before, merely raised their pay to Rs. 350 rising to Rs. 1,500. In other words, this revision raised their pay by Rs. 50 a month. It gave, I admit, an overseas allowance to European non-Civilian Assistant Collectors and, because we had done nothing at all for our Indian officers or Anglo-Indian officers, we allowed these officers also to draw, as a special case, this overseas allowance, provided they were already in the Service. This allowance will not be given to future recruits. That is the first point.

Mr. Shahani told you that we raised the pay in one case from Rs. 550 to Rs. 1,750. Nothing of the sort. We have raised the scale of pay by roughly Rs. 50 a month. Mr. Shahani was misled by some entry in the Budget of last year. Customs officers prepare their Budget in different ways. Some give the scale of the Assistant Collectors and assume roughly what they are going to cost them in the year. Other officers put down the actual pay drawn by the particular officers who are serving in the port at the time. These officers are on the scale of Rs. 350 to Rs. 1,750. In one port you may have an Assistant Collector drawing Rs. 1,750, in another port you may have an Assistant Collector drawing Rs. 350. Mr. Shahani has said that their pay has been raised from Rs. 550 to Rs. 1,750. Nothing of the kind. What may have happened was that an officer on Rs. 550 may have been replaced by an officer on Rs. 1,750.

Then, again, Mr. Shahani made an attack upon the enormous pay of Appraisers and Preventive Officers. Now, I should like this House to remember that, in every case, the scales of pay, I mean the revised scales of pay, which have been sanctioned for Appraisers, Preventive Officers and the like, have all been scrutinised by us and by the Standing Finance Committee

of this House. Cannot the House trust its own Standing Finance Committee jealously to scrutinise the proposals put up before it by the Department? And, mind you, these proposals have, in the first instance, been carefully scrutinised by us.

Mr. Shahani then stated that there were too many Assistant Collectors at Karachi. Well, Sir, you have got Mr. Shahani's opinion to that effect. On the other hand, we have our expert Collector of Customs, who is responsible to the Government of India for the collection of the Customs revenue and the maintenance of the Customs revenue at Karachi, and my information is that, so far from two Assistant Collectors being too much, he requires another Assistant Collector; but the Standing Finance Committee refused to sanction one.

However, Sir, I do not propose to follow Mr. Shahani into any further details. Let me point out to the House that this House expects us to collect Customs revenue next year of a sum which may amount to anything between 40 to 50 crores of rupees. In order to collect that amount of money we have to have Preventive Officers to prevent smuggling; we have to have highly skilled Appraisers in order correctly to appraise the *ad valorem* rate on which your customs duty is based; we have to have clerical staff to deal with all the bills of entries and the shipping documents, and, finally, we have to have our supervisory staff. I ask the House with all confidence, can anybody here say that we are putting an undue burden upon Indian revenues when we collect 40 to 50 crores of revenue for you at a cost of less than 2 per cent? Can anybody say that that is extravagant? (Cries of 'No'.) I think not.

Then, Sir, let the House apply itself to another problem. Supposing the House by any mischance agrees to this reduction of 10 lakhs of rupees. How am I to effect that reduction? The Customs Budget is made up as follows:

Five lakhs of rupees go for the pay of your superior staff of officers; 44 lakhs of rupees for the pay of your Appraisers, Preventive staff and clerical establishments; 11 lakhs of rupees for overtime and other allowances; supplies and services account for 6 lakhs of rupees; and Rs. 3,50,000 go to Indian States in accordance with old treaties. How am I to get that 10 lakhs of rupees if the House cuts it out? I cannot get it out of the pay of the establishment, I cannot get it out of assignment. The House has already agreed that the overtime allowances should not be interfered with. Where am I to get my ten lakhs of rupees? From the pay of the staff; that is to say that men actually in service are to have their pay cut down. Is that right or is that fair? (A Voice: 'It is impossible'.) I have scrutinised this Customs Budget carefully and I cannot see where you are going to get the ten lakhs from. I regard this as a dangerous motion, a motion which may have a most disastrous effect upon your revenues and a most demoralising effect upon your Services, and I hope that the House will reject it unanimously.

The motion was negatived.

Sir Vithaldas D. Thackersey : Sir, I beg to move:

'That the demand under head 'Customs' be reduced by Rs. 3,52,900.'

I have listened carefully to the remarks of my Honourable friend, Mr. Innes. This proposition moved by me, I may say, has a method of his own. Government have adopted or approved of the recommendation of this House to appoint a Retrenchment Committee. If Government expect the Retrenchment Committee to make recommendations for the reduction of the total expenditure to the extent of at least 5 per cent., I say that the proposition that I am moving now is perfectly justified. If Government do not expect the Retrenchment Committee to make recommendations to the extent of 5 per cent. reduction, I would say 'do not appoint a Retrenchment Committee.' (Hear, hear.) Retrenchment is the order of the day. (Mr. N. M. Samarth: 'Retrenchment should be the order of the day'.) Retrenchment should be the order of the day. It has been the order of the day in the Bombay Presidency, which is ahead of any other Presidency (Hear, hear), both in recovering money and in spending. Sir, a great demand by the Bombay Legislative Council arose for retrenchment and Government came forward and said: 'Here we are ready to meet the wishes of the Members'.

Mr. President: Order, order. What has the Bombay Presidency to do with this motion?

Sir Vithaldas D. Thackersey : The method adopted in Bombay has been to reduce the grants proportionately to all Departments to the extent of 60 lakhs to be adjusted later on by reappropriation. If we follow the same procedure and reduce 5 per cent. on each grant, we shall get a reduction of

about a crore or a crore and a half in the whole of our Budget ; otherwise, we will be showing our Budget expenditure larger by a crore of rupees in spite of our conviction that the Retrenchment Committee should be able to reduce by one crore. I cited the case of Bombay only to show that the method they adopted was the method I recommend now. I propose that by the reduction under each head Government should give proof of their determination and their sincerity to reduce the expenditure next year, and thus pass a smaller Budget figure. If Government later on find that readjustment or re-appropriation among the grants, is necessary, it can easily be done ; at the same time, it will not affect the results. I say that this House should adopt this principle that from the total grant we should reduce approximately 5 per cent. and leave Government to adjust it, and not show our Budget expenditure one crore higher than we would otherwise expect Government to do and to tax the country unnecessarily.

Well, Sir, we were just told by my Honourable friend, Mr. Innes : ' Here are the salaries, here are the overtime allowances, here are the other items of expenditure ; how am I to reduce ? ' That is the exact reason why we say, that if we are determined to have retrenchment, it is best to leave it to Government officials to decide whether it should be by reduction of officers, or partly by Indianising the Services and partly by the omission of unnecessary expenditure after consulting the Heads of Departments. It will be impossible for this House to put its finger on a particular item and say ' retrench here ', because it will be quite easy for the Honourable Member in charge to say that that particular item is the most important of all and cannot be reduced. (Laughter.) The same thing happened elsewhere. In England a Retrenchment Committee sat and recommended large reductions. How far the recommendations of the Retrenchment Committee can be accepted, it is for Government to consider. But it is for this House to give an indication that it is of opinion that a minimum of 5 per cent. reduction should be carried out next year. My amendment is based on this principle of a 5 per cent. reduction. I hope the House will accept this principle, if it does not want to tax the country to the extent of one crore more.

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadan Urban) : I wonder, Sir, if you will permit me to move my motion as an amendment to my Honourable friend, Sir Vithaldas Thakersey's motion, because it is practically of the same nature and based on the same principle. I shall be very glad if Sir Vithaldas' motion is carried, but, if it is not, I hope that the House will at least carry the motion that stands in my name, namely :

' That the demand under head ' Customs ' be reduced by Rs. 3,00,000.'

Sir, my Honourable friend, Sir Vithaldas, has anticipated me in what I was going to say with regard to the principle on which reductions should be made in the present year's Budget.

The Honourable Mr. Innes has pointed out various difficulties which lie in the way of reduction. I think it would be difficult for Honourable Members of this House to take item by item and suggest reductions in those items, because the figures are at my Honourable friend's fingers' ends and it will be possible for him always to meet us so far as arguments are concerned. But I do think that there is agreement on one thing—that there should be some reduction and that for that purpose a Retrenchment Committee is to be appointed. If that is so, let us show our sincerity by carrying out the reduction here and now. My suggestion is not at all an unreasonable one. If the Honourable Member for Commerce and Industry will only agree with my suggestion, it is possible for him to accede to reductions being made on the scale which I propose. Take, for instance, the Overtime and Holiday Allowances. As has been pointed out, 8 lakhs have been provided.

Mr. President : Order, order. That question has already been discussed.

Mr. Jamnadas Dwarkadas : Yes, Sir, but I want to point out that my 3 lakhs include a proposal to reduce 2 lakhs out of the 8 lakhs that are provided for the Overtime and Holiday Allowances.

Mr. President : Order, order. The House has already decided not to omit that allotment.

Mr. Jamnadas Dwarkadas : If you think, Sir, that it is out of order, I won't touch on it.

Mr. President : The Honourable Member does not appear to understand that once the House has given a decision not to omit an item, it must stand in the book,

Mr. Jamnadas Dwarkadas : I beg your pardon, Sir, but I should like to be clear on this point. The House has decided not to reduce it to the extent of 4 lakhs. I was only suggesting that it should be reduced to the extent of 2 lakhs. I wonder if that is out of order.

Mr. President : The House has already decided negatively in two cases—one, the general case, that all Overtime and Holiday Allowances should be omitted; and the other put up by Mr. Joshi for a reduction of 4 lakhs.

Mr. Jamnadas Dwarkadas : Very well, Sir, I won't touch on that. But I think it is possible, if the Honourable the Commerce Member will agree to it, to reduce the expenditure by 3 lakhs of rupees. Take another item, take the other contingent expenditure. I think the contingent expenditure in this year exceeds the Actuals of the past year. I think, therefore, that there is a good deal of room for reduction everywhere, and my reasonable demand for reduction by 3 lakhs ought, I think, to be supported by this House and by the Government.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) Sir, I must apologise to the House for being late this morning. Sir, I support this motion which has been taken up by Sir Vithaldas Thackersey on my behalf. The point of view, Sir, that we take in moving this item of the Budget is this. The Government are anxious,—I take it they are anxious,—and we are anxious that there should be retrenchment on the civil side, as far as possible, and 'as far as possible', I hope, will be understood to mean 'to the furthest possible extent.' It is with that view, Sir, that we make this modest proposal as a beginning in preparing the ground for the Retrenchment Committee which is going to be appointed.

We have an example for this 5 per cent reduction in that Department which is the leading Department for expenditure, namely, the Military Department. We were told the other day by Sir Godfrey Fell that His Excellency the Commander-in-Chief gave orders that there should be an all round 5 per cent. reduction, I believe, in the Army Headquarters Staff, and that those instructions were being faithfully carried out. Therefore, that shows that our proposal is a practicable one, and the Government are not going to be hit hard by this proposal; for, as we see every year, and as we saw also last Saturday, as well as during the September Session, the Government are bound to come up with Supplementary Demands for Grants. When we have made this reduction in the total estimate, I am sure the work of the Government will not suffer at all; for we are budgeting for 12 months' expenditure and when the Retrenchment Committee sits and makes proposals for reduction, then they will have something to go upon, as I have already stated, and we shall be preparing the ground.

These various allowances have shown a tendency recently to develop in several directions. They require close investigation and I daresay the Retrenchment Committee which is going to sit will take it up in right earnest.

There is again room for making retrenchments by not filling up casual vacancies which arise during the course of the year. My own belief, but that is not a belief which is founded on actual experience and seeing the work, but as an outsider, is that there are far too many superior officers. There is altogether too much supervision. Now, supposing a superior officer takes leave in the course of the year, it may be possible to try the experiment of seeing whether by keeping his post vacant and making another officer do that duty, whether equal efficiency or at least nearly equal efficiency cannot be produced in the working of the Department. That is one direction in which the Government can easily make experiment.

There is another direction in which experiment can also be made easily, or rather the whole question can be reconsidered. I do not think there is any country in the world which enjoys the large number of holidays which our public offices enjoy in this country. I have spoken to some Englishmen, some of them coming out from England, and they say the number of holidays in this country is something marvellous. I do not know if that is not the experience of English friends in this House. One holiday cut down means really a great saving to the country. Looking at the army of officers and men who run the Government, even if you can cut down one holiday in a month or say six holidays in the year, I think you will be saving a good deal. It is in order to make sure that we are really in earnest about effecting retrenchment that we have made this proposal and I hope it will commend itself to the House.

The Honourable Mr. C. A. Innes : Sir, here again I have listened with the very greatest care to the arguments which have been advanced in favour

of this proposal. Sir Vithaldas Thackersey and Mr. Jamnadas Dwarkadas seem to base their whole case upon the Bombay Presidency, upon something that the Bombay Legislative Council has done. Well, Sir, this is not the Bombay Legislative Council, nor has it anything to learn from that Council

Mr. N. M. Samarth: The Bombay Government have done so.

The Honourable Mr. C. A. Innes: The same remark applies to the Bombay Government. We are not bound by anything that they may do. What is the proposal? All the gentlemen who have spoken have said: 'We admit that you are going to appoint a Retrenchment Committee; let us show that we are in earnest with that Retrenchment Committee by proceeding, before that Committee sits, with a reduction of 5 per cent., whether it is possible or not let us make it; let this show whether we are in earnest or not'. Surely that is a case of putting the cart before the horse. I am entirely in favour of this Retrenchment Committee. But what I hold is that we have to have these reductions settled in consultation with a Committee of that kind. You may be able to make bigger reductions in one Department than in another; and it is unscientific that this House, knowing, as they have admitted, very little about the Customs Department, should begin and say: 'Well, we are going to take 5 per cent. off your Customs expenditure to begin with.' Why cannot you leave it to the Retrenchment Committee to decide whether anything can be taken off Customs at all? Mr. Jamnadas Dwarkadas and Sir Vithaldas Thackersey said: 'Oh, Yes; Mr. Innes is always pointing out difficulties.' Of course, I point out the difficulties. Did they make any attempt to solve them or show how I was to surmount those difficulties? No; they merely said; 'You cut out something and you will be able to manage; and if necessary you can come up with a supplementary demand later.' Now, Sir, is that an honest way of dealing with this problem? What is this House doing? Is it going to cover a deficit in part by making reductions which it knows cannot stand? Because I defy anybody to go through this Customs Budget and point out to me where I can reduce it by 5 per cent. My friend, Mr. Rangachariar, was not here when I read out the figures. There are Rs. 5 lakhs for the superior staff and Rs. 44 lakhs for the subordinate staff; and, if I am to reduce the expenditure by 5 or 7 per cent., I shall have to take it out of the pay of that staff; nothing else; there is no other place. Mr. Jamnadas referred to Contingencies. How can I reduce Rates and Taxes and Post and Telegraph charges? It cannot be done. They are based on Actuals and it is the best estimate we can make. If we are therefore to effect this reduction, it can be done only on the salaries; and, as I pointed out before, are we going to cut them down? Will Mr. Rangachariar get up in this House and advise me to cut down the pay of men already in the service by 5 per cent.? Of course, he would not. I therefore say, Sir, that to make a general reduction of 5 per cent. in all Departments, without any discrimination at all, without having regard to the departments where the best chance for reduction is, that, I say, is an unscientific method to which this House should not commit itself. I am quite prepared to place the Customs Budget before the Retrenchment Committee; I am prepared to leave it to them to say whether a reduction can be made; but I do protest against this House making a reduction of 5 per cent., which I conscientiously believe cannot be done as regards the Customs Department. I have warned the House once before that nothing would be more dangerous, more demoralising to the Service or disastrous to your revenue than to make cuts in the pay of your staff who guard for you a revenue of Rs. 50 crores; and so I hope that this House will not accept this amendment.

Mr. Manmohandas Ramji (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, if we follow the logic that we have heard just now, the conclusion we have to arrive at is that there is no room for reduction

The Honourable Mr. C. A. Innes: In the Customs Department.

Mr. Manmohandas Ramji: That probably is what every other Department will say. Therefore, there is no need for appointing a Retrenchment Committee, because the same argument will be advanced before that Committee that it is not possible to make any retrenchment at all. (Hear hear.) Retrenchment we are bound to make and we must make, and, therefore, we have to see how that retrenchment can be effected. Of course, I follow the argument advanced by Mr. Innes that it is not an easy task to reduce expenditure in a Department which has been working for a very long time. You cannot go and offer 5 per cent. or 10 per cent. or 20 per cent. less to your staff generally; you cannot do it; but there are ways and ways of doing it; that is, if you want efficiency and if you want reduction, then there is only

one way ; and that is, according to my light, to increase the pay and reduce the numbers. If you increase the pay, you do not dishearten the men ; you are not faced with discontent, but you encourage a willing horse to go faster and you can dispense with a number of hands and save something out of their pay. Supposing you pay an officer Rs. 1,000 per mensem, if you offer him Rs. 1,200 and ask him to do a little more work, I think that is quite possible and quite practicable. It has been followed in several large institutions and with success. I think it is quite possible for Government to do it. Of course, when they have certain agreements, when they employ a certain number of hands, when we see that there is overtime also required to be paid, with all these difficulties there is no other help but to move in a direction whereby you can effect a saving. Mr. Innes pointed out that in his Department, which is a money-earning Department, there should be no reduction, because the Department is very hard-worked. Quite right. If that is the case, if Mr. Innes can prove that to the satisfaction of the Retrenchment Committee that is to be appointed, there will be no difficulty. Perhaps the Retrenchment Committee may be convinced that the Customs Department wants more pay and more money allotted to it, in that case they would cut down some other Department which is quite useless by 10 or 15 per cent, and give Mr. Innes one or two per cent. more even. Therefore, it is not right to say that nothing can be done. I think the amount of 5 per cent. to begin with is quite right and quite satisfactory.

Mr. C. W. Rhodes (Bengal : European) : Sir, may I join with my fellow-Members from Bombay in expressing our grievance against the Member for Commerce ? He has framed honest estimates. He has been asked to explain them and he has justified them. I think we have a distinct grievance against him. I think he will have learnt from this discussion to frame his Budget for another year with something to give away. The Retrenchment Committee is evidently not to be formed to find out whether retrenchments can be safely, justifiably and economically made, but to demand recklessly a reduction of expenditure in every direction. I cannot conceive of any good resulting from any Committee we may appoint if it starts its work in that way. In connection with Customs, this idea of a general retrenchment is particularly unfortunate. This is not one of our spending Departments. It is our greatest earning Department and to run the risk of losing a large portion of Rs. 60 crores, because we object to an extra collection expenditure of 2 per cent., seems to me most unbusinesslike and almost childish.

The new duties, which, if this House agrees to them, will come into law will entail a tremendous amount of extra work on the Customs. There will have to be more careful differentiation ; there will certainly be more danger of smuggling ; and, if a sweeping reduction is to be made regardless of the facts of the case, I think it is most unfortunate that it should be made in connection with Customs. The Honourable Mr. Innes has already told us that the Collector of Customs at Karachi required a third Assistant and that the Finance Committee turned the request down. Therefore, retrenchment work has been done by Members of this House and it seems to me that we are stultifying our own Committee if, on top of that, we come and say ' You must reduce. We do not know where. All your arguments are sound, but we demand reduction regardless of the consequences.'

Dr. H. S. Gour : Sir, if the Honourable Member for Commerce and Industries ventilates the views of the Government, then I fear little good will come out of the proposed Retrenchment Committee. His special pleading on behalf of the Customs Department would be the special pleading on behalf of all Departments (*A Voice* : ' Why ?') and from the cursory inquiries made by the Members of this House from those directly and indirectly responsible for the running of the different Departments, we find that if we turn ourselves to a particular Department and say : ' Your Department is a transferred subject ; you should save', we are told : ' Our Department ? It is the most hard-worked and under-staffed of all Departments. Sundays or no Sundays we perspire and work. This is the Department which requires your compassion, your commiseration, your best sympathies : Reduction is impossible. We are crying for an increase. If not of 10 per cent. at any rate let us have 5 per cent.' Go to the other Department and the other Department says : ' Never has a more economical Department ever worked in this universe. Everywhere we are undermanned and over-worked. Our clerks are ill-paid. They get no over-time. They sit from the day's beginning to the day's end. Retrenchment is impossible—utterly impossible.' That is the response we get from all the Departments. Now, I ask, if this is the view of the Members of Government, and this is the attitude of the Honourable Member for Commerce and Industries . . .

The Honourable Mr. C. A. Innes : Speaking for Customs.

Dr. H. S. Gour : Speaking for Customs, to which I shall presently advert, what is the good, I submit, of a Retrenchment Committee? I was surprised to hear my friend, the Honourable Mr. Rhodes, who got up, I think, to support this Resolution moved by Members on this side of the House, but unwittingly strayed into the enemy's camp. I ask him, Sir, as the representative of a Commercial House, whether he can tell us from his own experience that any Department, of which he has any personal knowledge, is run on the lines on which the Government of India is run? Does he know of any Department where the holidays extend to five months in the year? (Hear, hear.) (*A Voice.* 'No, no.') My friend says 'No, no', coming as he does from the Calcutta High Court. He says that it will be more than five months. I have understood the case. Is there any Department, I say, where the ordinary holidays are counted not by weeks but by months? Is there any Department, I ask, where you have multiplication of duties, a paper Government *in excelsis*, where tons of paper are consumed and gallons of ink.

Mr. President : Are these tons of paper consumed in the Customs Department?

Dr. H. S. Gour : Yes, Sir, I am just coming to the Customs Department, and the House will be surprised how many tons of paper are consumed in the Customs Department. Now, I ask, Sir,—it is a very simple question— if this Retrenchment Committee is given a certain direction, that the House requires that a certain percentage of cuts must be made, then I say that the Retrenchment Committee will go charged with the duty of at least effecting retrenchment to the extent of 5 per cent. But, if you do not charge your Retrenchment Committee with the work of economising to the extent of at least 5 per cent., be sure the Committee will submit a report and say: 'We have examined all the Departments and overhauled the books of the Government of India and we were never more convinced than we are now how utterly under-staffed and under-manned are the various Departments of the Government of India.' (Hear, hear.) My friend, Mr. Innes, says: 'Hear, hear'. It is an intelligent anticipation of the Retrenchment Committee, if it is created without being given a mandate from this House to deduct and to retrench from all Departments at least 5 per cent.

Now, Sir, I have been asked what that has got to do with Demand No. 1 under the head 'Customs.' I shall now explain what it has got to do with Customs. If my Honourable friend on the other side will turn to the book of statistics from which I have collected the information, he will find that, in the year 1911-12, Rs. 37 lakhs—I leave out the thousands for obvious reasons—was the total expenditure on Customs. In 1918-19, it rose to Rs. 45 lakhs. In 1920-21, the Actuals were 69 lakhs, being 3 lakhs in excess of the Budget of that year. And now, the total amount demanded under the head 'Customs' is Rs. 71 lakhs. In other words, within the last 10 years, the expenditure on Customs has doubled itself

The Honourable Mr. C. A. Innes : And the revenue?—

Dr. H. S. Gour : My friend interjects 'And the revenue?' I was just coming to that. The House will remember that not one single pice has been added to the revenue on account of the increase of salaries, and all increases in the revenue, judging from the books, are on account of the revision of the tariff. It is entirely or almost entirely due to the enhancement of the Customs duties.

Sir Montagu Webb (Bombay : European) : Extra work has meant increased salaries.

Dr. H. S. Gour : And for the extra work, to which my friend refers, extra men have been employed. The result has been that the expenditure has gone up from 18 per cent. to 2.16 per cent.

Mr. R. A. Spence : It is very little.

Dr. H. S. Gour : Exactly double. The percentage, you will see, bears an exact relation to Rs. 37 lakhs and Rs. 71 lakhs and 68 thousand. I ask, is this doubling of expenditure within the last 10 years justifiable? On what ground does Mr Innes justify this doubling of the percentage expenditure within the last ten years? He will say dearness of prices: cost of living has gone up. I think we were told only the other day that the cost of living had gone up by something like fifty per cent. and yet, the expenditure under the head 'Customs' has, as I have pointed out, doubled itself within these ten years. The Honourable Mr. Innes has no difficulty whatever in dealing with the details of different expenditure which the Honourable Members attack; and he cynically remarked: 'You have attacked Item

No. 1. You are ignorant of the circumstances under which this expenditure is incurred.' As if we, on this side of the House, were responsible for the ignorance for which the Honourable Member himself is responsible! Has not this House time and again asked the Members of the Government to take us into confidence by constituting Standing Committees where our Members will learn the arcana of the different Departments? What response has the Government given to the Resolutions passed by this House? And yet that Government, which throws over the eyes of this House a mantle of ignorance, complains that we level our attack against the Members of the Government on account of want of accurate information and ignorance! I ask the Honourable Member, who has responded for the Government, to remember that, whatever may be the inaccurate expressions of the private Members of this House on matters of detail, the broad outstanding fact remains, and is incontrovertible, that you have not justified to this House the doubling of the expenditure within the last ten years. Your failure to do that makes you stand condemned, and is it too much to ask that, out of this expenditure, this evergrowing expenditure a reasonable retrenchment of at least five per cent. on the aggregate of the demands submitted to the vote of this House should be made? When it is the declared intention of the Government to reduce the ever-swelling expenditure, is it, I ask the Honourable Members of this House, a proposal which can be classed as extravagant or unreasonable? Let the Members answer? Despite the pleas that will be raised, and I have not the slightest doubt that my Honourable friend, the Finance Member, is crouching for an attack which will be levelled against this side of the House on grounds numerous and varied,—I ask the House to combine in supporting this motion in the interests of its own privileges, in the interests of true economy, and in the best interests of that Retrenchment Committee which has been promised and the purpose of which will be defeated unless we voice our wishes to that Retrenchment Committee that we desire and demand that at least five per cent. all-round retrenchment should be effected in the current Budget. Sir, I heartily support this amendment?

Mr. F. McCarthy (Burma : European) : On a point of order, Sir. Is it right for a Member to turn his back on the Chair and address his own Party? (Laughter.)

Sir Deva Prasad Sarvadhikary : I desire to give this motion my general support, (Hear, hear) as a counsel of despair. What is the position to-day? We are between Scylla and Charybdis—between two fires. Take up any item in the thick printed volumes, and the same cry will rise from sacrosanct figures that you cannot touch, that without assistance you do not know how to touch. Mr. Rangachariar's picturesque 'untouchables' are strewn all over the ground, on a much larger scale than he dared suggest himself. The proposal before us may be an unscientific position to take up, may be unbusinesslike, may even be childish, but it or something like it has got to be done as a counsel of despair under the circumstances—as a beginning has to be made at some time and somewhere. (*A Voice* : 'Not on the Customs'.) I do not see why not here as anywhere else, for the objection so lustily voiced will apply to any other revenue-producing heads. Some time ago, I remember seeing a very powerful cartoon in one of the English picture papers that teaches you so much and so effectively. It was the picture of a surly and burly and typical John Bull with his steward, the Chancellor of the Exchequer, standing crestfallen behind the chair. John Bull kept on saying : 'That has got to be done.' All protests failed and that was done. That is why the Geddes Committee achieved what it did achieve. It had got to be done. (*The Honourable Sir Malcolm Hailey* : 'Quite so. The Retrenchment Committee'.) Yes, and the present proposal is only an anticipation, and an insistent anticipation. Sir, repetition will not strengthen an argument, but if it has really come to this that the elaborate, costly and specialised machinery of the Government of India cannot devise means by which retrenchment to the extent of a paltry five per cent. can be achieved, even where the Assembly has the right to insist on retrenchment, there is absolutely no reason for wasting money on a Retrenchment Committee, and I see no points in the Finance Member's tantalising hopes. I told the House the other day that a Retrenchment Committee might really add to expenditure and that misgoverning has been voiced again to-day by others. The Retrenchment Committee will probably end in landing us in more expenditure. If expletives and adjectives can fill that abysmal gap of Sir Malcolm Hailey, some of us who refrained from the use of needless adjectives in connection with the general discussion of the Budget might have contributed to the feat. Adjectives freely used to-day would not achieve the purpose in view in quite another direction and only disclose the apprehensions on the other side. I should like to put to my Honourable friend, Mr. Rhodes, with his rich vocabulary another question, one in addition to what Dr. Gour put to him as a business man. If he unfortunately had, year after year, his firm landed in terrific losses like this, partly due to controllable causes, would he

not send for all concerned, and ask them to put their heads together and would he not insist upon retrenchment at any cost, if his departmental heads failed to take the warning? Was not this cry for retrenchment raised last year, and did not every one of us, this year, when the Budget was discussed, appeal and supplicate and appeal in vain? What steps have the Government taken with regard to it and how have they yet assisted the House in adumbrating proposals for retrenchment? Proposals should have come from the Government, for none knows the position better.

Dr. Gour has appealed for combination in different parts of the House. I think we ought to combine when we can and when we ought to. (Cheers.) I believe in supporting Government when possible and also in opposing it when necessary. What we are forced to occupy to-day is not very firm ground, on the contrary it is almost quicksand, but unfortunately it is the best that you can have. We cannot combine when Dr. Gour's friends speak of some collection charges being 24 per cent. and he himself readily consents to its being 2·6 per cent. though it is really lower even than that. That is indeed a much more unsafe bigger quicksand than the one that we are now forced to take up for firm ground. The present reduction is our renewed practical appeal to the different Departments. We should like you to carry on with an initial five per cent. reduction all round and on an average. We feel you can do it if you will. If you can achieve more, do it please. If you cannot, and if readjustment be really necessary, come up later as you have done before, and satisfy us that it cannot be done and show us reasons. There is no dishonesty involved in this as Mr. Innes apprehends. I do join in the appeal, therefore, that we should combine on this question and insist on a five per cent. reduction all round to start with.

Sir Montagu Webb : Sir, I feel very considerable sympathy with all Members of this House who desire to impress upon Government the necessity for a policy of retrenchment. I notice on the agenda paper shortly coming before us a motion by Dr. Gour that all demands be reduced by ten per cent. Now, I submit for the consideration of this House that if we desire to impress upon Government the necessity of retrenchment to the extent of ten per cent., it will be very much wiser for this House to support Dr. Gour's motion than to pick out one particular branch of the Services and resolve that that particular branch shall be retrenched. Now it appears to me that of all the departments of Government which could have been picked out for retrenchment, the most unpromising of all is the Customs Department. Why? As my Honourable friend, Mr. Rhodes, has already pointed out, the Customs Department is a revenue-collecting Department. During the last ten years, it has been collecting more and more revenue under more and more difficult conditions. I know there has been no waste at all, so far as I have been able to observe, and I am in very close contact with the Customs Department. I have not the figures before me at the moment, but I think that the Customs revenue in the last ten years must have certainly more than doubled, and as the necessity for an increasing tariff advanced year after year, it has of course been necessary to employ more appraisers and more customs staff in order to collect that revenue. Surely this House does not expect to go on collecting three or four times as much revenue by the aid of a more and more complicated customs tariff, with a smaller staff and at a smaller expense! Then, again, my friend, Dr. Gour, has omitted all reference to the rise in prices. It is admitted that, during the last ten years, prices have advanced anything between 50 to 100 per cent. Suppose we put it at 75 per cent. In the circumstances, we should not at all be surprised if the pay of the establishments had had to be increased.

In other words, if 37 lakhs were spent on the Customs establishment ten years ago, we should not be in the least surprised to see 60 lakhs spent now. That naturally follows from the rise in prices. But that apart, there is this work of collecting the additional revenue. There are under the Tariff Act very complicated questions to be decided by the Customs officers, and, in my own personal experience, especially during the last two years, it has been a matter of constant complaint, certainly in Sind and in Karachi, and I believe in Bombay and Calcutta also, that the Customs staff is inadequate, that the ports are congested, demurrage is increasing, and that great difficulty has been felt by the mercantile public because the Customs was undermanned. That is my own personal experience. I would, therefore, ask this House, while fully sympathising with the desire for retrenchment, not to limit the retrenchment to one Department but rather to support a general motion, such as Dr. Gour will shortly put forward. For that reason, I appeal to this House to reject the motion now before us.

Dr. Nand Lal : I doubt very much whether the argument which has been advanced in favour of the general motion is tenable at all. This is an

occasion for the discussion of the Budget and each and every item is to be specifically examined. Therefore, all these reasons and grounds in favour of the general motion will be beside the mark and will be out of order. So I confine myself to the specific motion, in regard to the particular retrenchment, which has been moved and speaks for itself. My friend has proposed an amendment; while being in favour of the specific reduction, suggested by the Mover of that amendment, I certainly concede that there is much to be said for what the Honourable the Commerce Member has argued, namely, that general and indiscriminate reduction cannot always be made in each and every case. So far as logical principles are concerned, there is some force in it, but my Honourable friend has allowed himself to forget that it is not always logical principles which we should bow to, but, sometimes, expediency is to be courted. In some urgent cases, logic is to be postponed to expediency. The urgent and pressing cause at present is that the country is financially embarrassed. It cannot afford to pay so much which is demanded and, therefore, retrenchment is indispensably necessary, and I may thus ask the Honourable the Commerce Member to give reconsideration to the question of retrenchment which has been put before the House, and I hope he will change his mind by accepting it; otherwise it may be very respectfully submitted that we, the majority of the House, are in favour of this amendment and we are going to pass it. If we fail to support it, it means a great deal of discouragement to the Retrenchment Committee. I think we are not wrong in anticipating a very disappointing report of the Retrenchment Committee if this amendment is not carried by the majority of this House. Therefore, I am whole-heartedly in support of this amendment and it ought to be accepted by the whole House unanimously.

The Honourable Sir Malcolm Hailey : I have heard doubts expressed not only to-day but previously as to the possibility of retrenchment being effected by a Retrenchment Committee; and when I have heard those doubts expressed, I have always discounted them. I do not believe for a second that a Retrenchment Committee, if it attacks the problem in the right spirit, applies pressure in the right direction and uses the proper discrimination, could fail to make a considerable retrenchment in our civil expenditure.

Dr. H. S. Gour : What percentage do you expect ?

The Honourable Sir Malcolm Hailey : I quite realise the nature of the dilemma which has been created and purposely created for Government by the motion which we are considering and by the similar motions affecting demands that will subsequently come before us. The House says : You admit that reduction should be made. We think it should total a 5 per cent. all round. You also probably think it should amount to at least this figure. Then what will happen? We shall take the grants one by one. Each Member responsible for the Department concerned will rise up and say that it is difficult if not impossible to make reduction. If we accept what he says, what becomes of the total reduction which both we and Government admit should be made? What becomes of the anticipations of the Finance Member, when every one of his colleagues denies that it is possible to effect each particular reduction proposed? I admit the dilemma, and it appears at first sight somewhat hard of solution; but I myself do not despair of solution. I do not take the same down-hearted view of things that my friend, Sir Deva Prasad Sarvadhikary, has voiced. I do not ask the House to adopt an attitude which is to use the words of another speaker 'unbusinesslike and almost childish,' because it cannot think of anything better to do.

I do not ask the House to follow Dr. Nand Lal in openly postponing logic to expediency in this case; For, Sir, the action that has been proposed is postponement of logic. I know the House finds itself in a somewhat difficult position. When they propose reductions they do so with incomplete knowledge of administrative facts and we at once proceed to pour forth a wealth of statistics which it is difficult to answer. That difficulty I clearly see. But on the other hand it does not appear to be a reasonable solution of your difficulties, if, when you find that first one reduction is not arguable, and then a second is not arguable, you merely say : 'We will consider no argument at all. We refuse to apply logic on any particular point whatever. We will apply the mere force of our votes.' I claim that the House should adopt a more reasonable and practical system. The one way of effecting your economy is the way they have adopted at Home, by a proper consideration of each Department through the agency of an authoritative Committee. In some cases the Committee has found that no substantial reduction is possible. In other cases it has found that very considerable reduction is possible. It seems to me that an all-round and automatic reduction is bound to be

unsystematic, because it will affect equally your Departments which are purely revenue-earning, such as this Department.—I do not hold myself up as the champion of this particular Department, but it is one of the great revenue-earning Departments—it will affect equally your revenue-earning Departments and your administrative Departments and your semi-scientific Departments. It has been suggested that we should 'accept this five per cent. reduction, and if we find that we cannot work it out satisfactorily we should come up for a supplementary grant. That would seem to me to move somewhat of dishonesty and I would not be a consenting party to it. If I accept a reduction, it must be such as I know to be genuine, I would not accept it subject to a suggestion that if we found that we were likely to be losing revenue or causing some inconvenience to the public we should simply sit still until September and then ask you to replace the vote; that would not seem to me to be an honest procedure on our part. That, then, Sir, is my difficulty. I believe retrenchment can be carried out, but it should be carried out with discrimination,—it is not possible to carry it out by applying an equal five per cent. through all Departments.

I am told that, if the House does not now effect this reduction in advance it will be a source of great discouragement to the Retrenchment Committee. 'Discouragement', Sir? What sort of a Committee does this House expect? A Committee that is to apply a reduction made beforehand, and finds that it has nothing whatever to do but to point out how the five per cent. reduction can be worked out? Is that the sort of Committee that the House was thinking of? (*A Voice*: 'Certainly not.')

Dr. H. S. Gour: You are thinking of no Committee at all.

Rao Bahadur T. Rangachariar: I wish to remind him of the mandate of the Chancellor of the Exchequer given to the Geddes Committee to reduce the figure by £100 million,—I forget the figure—I think Sir Arthur Geddes said: 'I come with this mandate and to see to the reduction.'

The Honourable Sir Malcolm Hailey: I take the parallel; but what are the facts? The Chancellor of the Exchequer asked the Committee to effect a particular reduction, about one hundred million. He did not adopt the unscientific and unbusinesslike method of asking the House of Commons to knock £100,000,000 off the national expenditure in advance before it knew where it could best effect reductions. That, however, is what Mr. Rangachariar is proposing to do.

Now, Sir, I come back to the function of a proper Retrenchment Committee. It may be right to give it a mandate in advance, but there is no need to do its work in advance; you ought to trust that Committee to effect economies where it can and where it may. It may be that it will effect economies larger than you suspect, but they must be effected with discrimination, and there must be no attempt to effect economies which will have the serious result of reducing your revenues forthwith. (Hear, hear.) If a mandate is to be given to a Retrenchment Committee, that is the only mandate, I think, which the House should give.

Munshi Iswar Saran (Cities of the United Provinces: Non-Muhamadan Urban): Sir, I cannot withstand the temptation of making a few remarks in favour of this confessedly unbusiness-like and childish proposition. We have been told by the Honourable Mr. Innes that this is not the honest way of proceeding about it. Sir, my submission is that strong expressions never strengthen a case. With that remark, I shall leave that portion of the speech of the Honourable Sir Malcolm Hailey and the Honourable Mr. Innes where they indulge in strong language.

The Honourable Sir Malcolm Hailey: Might I interrupt the Honourable Member, Sir? To what expressions of mine is he referring? I was quoting expressions of previous speakers.

Munshi Iswar Saran: A reference was made to a certain procedure of retrenchment adopted in some other part of the country. Without pausing to consider the soundness or otherwise of that procedure, the whole reference has been brushed aside by the simple remark that we are not Bombay, that the Government of India is not the Government of Bombay. To an Oriental, Sir, modesty appeals with particular force. I shall submit to this House, with great respect, that, if we here can learn anything either from Bombay or from Madras, we should not be ashamed of learning it (Hear, hear): and might I say, in all humility, to such a distinguished and high officer of Government as the Honourable Mr. Innes, that he will increase his usefulness and his distinction by not disdaining to learn even from despised Bombay.

(Hear, hear and Laughter.) Sir, my submission is that my Honourable friends who have spoken in favour of this proposition have not spoken out their minds fully and completely. The situation is this. There is considerable dissatisfaction with the present rise in expenditure, and that dissatisfaction, I submit, is not confined to any particular part of this House. I may say it is almost universal amongst non-official Members, and it is in order to give effect to their feeling of dissatisfaction that this motion and similar other motions have been put down on the agenda paper to-day. I concede, and I concede most readily, that perhaps it may not be quite scientific to say, without going into the whole matter, 'cut this Department by 5 per cent.' But what I submit is this, that, if you take all these reductions of five per cent. together and if you add them up, and, if you find that in any particular Department you are able to effect a reduction of 7 per cent. or of 8 per cent., make that reduction in that particular Department, and, as regards any other Department in which you cannot effect the reduction of 5 per cent., you keep its expenditure at a suitable figure. There will be no difficulty, I submit, if you reappropriate. We have been told—Here is this Retrenchment Committee; why don't you trust it? Sir, I should be sorry to say what I feel about it, not because I am afraid of giving expression to that view but I do not wish to cause offence. We were promised some retrenchment, we were promised some decrease in expenditure last year. I hope the House will bear me out that there were distinct assurances given last year. May I ask what has been done? How has Government tried to meet the almost universal demand of last year? The same tale of woe is repeated again this year, and I maintain it is no good saying, 'Trust this Committee which is being formed'—and, Sir, in passing, might I be permitted to say that no Retrenchment Committee will be able to achieve the desired result unless and until you revise your whole policy. It is on the revision of pay and the system of recruitment, that the question of retrenchment is really based. I support this motion on the ground that it is proper for the House to give effect to its feeling of dissatisfaction and its opinion that expenditure is rising. One word more and I have done. The Honourable Mr. Innes has given us a warning that, if we adopt this procedure, the officers will be demoralised and our revenue will decrease. That may or may not be, but what I wish to say emphatically is that, if the present rate of expenditure continues, the country will be reduced to absolute poverty.

Mr. R. A. Spence: Sir, I move that the question be now put.

Mr. President: The question is :

'That the demand under head 'Customs' be reduced by Rs. 3,52,900.'

The Assembly then divided as follows :

AYES—63.

Abdul Majid, Shaikh.
Abdul Rahaman, Munshi.
Abul Kasem, Maulvi.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Cotelingham, Mr. J. P.
Das, Babu B. S.
Das, Pandit B. K.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussainally, Mr. W. M.
Ibrahim Ali Khan, Lieutenant Nawab M.
Ikramullah Khan, Raja M. M.
Iswar Saran, Munshi.
Jafri, Mr. S. H. K.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Latthe, Mr. A. B.

Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. P. L.
Mudhar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Nayar, Mr. K. M.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Samarth, Mr. N. M.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahab ud-Din, Chaudhri.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Ujagar Singh, Baba Bedi.
Wajihuddin, Haji.
Yamin Khan, Mr. M.

Abdul Quadir, Maulvi
 Aiyar, Mr. A. V. V.
 Akram Hussain, Prince A. M. M.
 Amjad Ali, Maulvi
 Bradley-Birt, Mr. F. B.
 Biay, Mr. Denys.
 Bryant, Mr. J. F.
 Chatterjee, Mr. A. C.
 Clarke, Mr. G. R.
 Crookshank, Sir Sydney.
 Dalal, Sardar B. A.
 Dentith, Mr. A. W.
 Faridoonji, Mr. R.
 Fell, Sir Godfrey.
 Habibullah, Mr. Muhammad.
 Hailey, the Honourable Sir Malcolm.
 Hullah, Mr. J.

Innes, the Honourable Mr. C. A.
 Kabraji, Mr. J. K. N.
 Keith, Mr. W. J.
 Lindsay, Mr. Darcy.
 McCarthy, Mr. F.
 Mitter, Mr. K. N.
 Percival, Mr. P. E.
 Renouf, Mr. W. C.
 Rhodes, Mr. C. W.
 Sapru, the Honourable Dr. T. B.
 Sharp, Mr. H.
 Spence, Mr. R. A.
 Vincent, the Honourable Sir William.
 Waghorn, Colonel W. D.
 Way, Mr. T. A. H.
 Webb, Sir M. dePomeroy.
 Zahiruddin Ahmed, Mr.

The motion was adopted.

Dr. H. S. Gour : Sir, I move :

‘That all demands be reduced by 10 per cent.’

The Honourable Sir Malcolm Hailey : Sir, on a point of order I would ask for a ruling whether this reduction should not be voted on each clause or whether an omnibus Resolution of this nature is a legitimate form of procedure.

Mr. President : A motion of this kind cannot be put from the Chair. The only motions which can be put from the Chair are those which refer to each individual grant.

Dr. H. S. Gour : It is for you, Sir, to rule whether this is not in order. If it is not in order, I cannot withdraw a motion. If it is in order, I wish to press it.

Mr. President : The motion as it stands is not in order. A general motion cannot be taken under an individual demand for grant.

The question is :

‘That a reduced sum not exceeding Rs. 60,49,100 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘Customs’.’

The motion was adopted.

The Assembly then adjourned for Lunch till Five Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Five Minutes to Three of the Clock. Mr. President was in the Chair.

TAXES ON INCOME.

Dr. H. S. Gour : When I gave notice of my amendment, which has been printed as Item No. 14, under Demand No. 1, I did not intend to couple it with any particular Demand. It was a general Resolution applicable to all Demands and was intended to embrace all Demands. Instead of writing out so many different notices to be printed along with each Demand, I gave one notice applicable to all. I move, therefore, Sir, that my motion :

‘That all demands be reduced by 10 per cent’

be understood as applicable to all Demands, and referring to Demand No. 2. General reduction of 5 I move that all Demands be reduced, with your permission, by at least 5 per cent. That I submit,

will very greatly reduce the task of the Honourable Members who will have to deal with this particular subject of Demand No. 2. I need scarcely say that my motion is essentially a reasonable one. The Honourable Members on the other side will find that the expenditure in 1911-12, on this head was Rs. 4,24,000. In 1918-19, it grew to Rs. 8,34,000. In 1921-22, it rose to Rs. 21,39,000. In the ensuing year, the figure budgeted for is the truly astonishing sum of Rs. 48,92,000, that is, about ten times in ten years. Now I am perfectly aware of what will be said by the other side, that we have just placed on the Statute Book a new Income Tax Act, and that the whole procedure has undergone revision. But with all that, when a new procedure is to be inaugurated, it should be all the more easy for the Departments concerned to start with an initial reduction of at least 5 per cent. I submit, Sir, that it is much easier to curtail an

expenditure under this head when the new Department is going to be reorganised than it would be in the case of an old and existing Department. I, therefore, submit that my motion that Demand No. 2 be reduced by at least 5 per cent. should meet with the acceptance of the House.

The Honourable Sir Malcolm Hailey: May I again ask, Sir, whether the Honourable Member is strictly in order in a motion of this nature? I am prepared, and my Honourable friends are prepared, to discuss definite items under each head, the amount of the reduction being indicated in order that we may know its exact amount. The motion as it stands, however, is in the nature of a Resolution, not a motion for reduction of each Demand.

Mr. President: Strictly speaking, the motion for reduction ought to be made under each head; but I understood that the Finance Member was prepared to discuss it.

Dr. H. S. Gour: I understood that that would facilitate the work and I therefore moved it in that general form. As a matter of strict procedure, I now move it under Demand No. 2, *viz.*, that that Demand be reduced by at least 5 per cent.

Mr. President: The original question was:

'That a sum not exceeding Rs. 44,80,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Taxes on Income'.'

Since which a motion has been moved:

'That the Demand be reduced by 5 per cent.'

The Honourable Sir Malcolm Hailey: We have here, Sir, substantially the same form of motion for reduction as we had in regard to Demand No. 1. I then tried to put before the House during our long and forcible discussion on the Customs Demand, what our objections were to an all-round motion of this nature. We claimed on our side that if retrenchment was to be effected, a more business-like way would be to allow the Retrenchment Committee to go into each case, making perhaps a reduction of more than 5 per cent. in some cases, and less in others, but at all events making reductions with discrimination after considering the heads of revenue-producing departments on the one hand, and of those that are merely administrative on the other. But that course of action did not recommend itself to the House.

In regard to this particular demand for a reduction in the expenditure on the collection of income tax, I am in the same difficulty as my Honourable friend, Mr. Innes, in regard to his Customs demand; in greater difficulty, perhaps, in one respect for we have lately, at the desire as I believe of the country, and certainly with the express assent of this Assembly, inaugurated a policy of organising a specialised Income-tax Department in order to secure a better system of collection, a better system of assessment, more expert, and consequently more just to the assessee. Every item that we have put forward for our new establishments has been placed before the Standing Finance Committee and accepted by them. I am consequently in difficulty to know what the House objects to in regard to the detailed items. I believed, and I hold with reason, that they desired that we should have a specialised Income-tax Department, and I cannot charge myself with having put before the Standing Finance Committee rates of pay for any class of employee for those departments which is in any way excessive. If we had done so, it is certain that the Standing Finance Committee would have been the first to object. Then, as regards the strength of these Departments, I again find it difficult to believe that the numbers which I have asked are in any way excessive. Had they been, again let me say, the Standing Finance Committee would certainly have objected. I think I am entitled to ask the support of those Members of the Standing Finance Committee—in whatever side they sit and in whatever block they sit—to the proposals which they passed such a short time ago. Now, Sir, I have to admit the charge of Dr. Gour that the expenditure has greatly increased, but not exactly to the extent that he puts forward, because, of course, what we are considering now is the expenditure falling on the Central Government (which now bears the whole cost of administration of this Department), whereas earlier figures quoted by him of course, omit the fact that a large part of the expenditure was originally paid by the Provincial Governments, which then shared the proceeds. But let that be, the fact remains that the expenditure has increased. But how am I to make an all-round reduction in face of the opinion of the Standing Finance Committee? That is my difficulty. I again put it to the House that the proper, reasonable and the businesslike course in this matter is to say to your Retrenchment Committee: 'We believe that 5 per cent. reduction can be made in the figures of civil expenditure all-round and we ask you to make it if possible.' Give them a mandate to the effect that at least that

reduction should be made if and where it is possible. But, again, I put it to the House that it is exceedingly difficult, in view of the history that I have given of this case, for me to say that I can make a five per cent reduction in the Income-tax Department. I won't say that it is physically impossible to make any reduction but I may justly put it to the House that I shall not be able to collect the revenue with the progressive facility and the same progressive justice to the assessee as I should if the full demand were granted. It is possible to make some reduction at the present moment because some of the departments are only just entering into their career and their staff largely consists of men obtained on deputation from the provinces. They can return to the provinces. But the result would be that I cannot promise that improvement in the income-tax administration which I had hoped to secure, and which the country at large undoubtedly demands.

Sir Vithaldas D. Thackersey: Sir, the difficulty pointed out by the Honourable the Finance Member, I admit, is a real one. At the same time what is the position of Members here who want retrenchment in the national expenditure. If the Honourable Member had suggested any way by which he would undertake to reduce the Demands by one crore of rupees or any other reasonable sum, I am quite sure this House would agree not to divide the reduction into different Departments and make a reduction of the amount agreed to at the end of the grants. The easiest way, as I said when I moved my first Resolution, was for the Government to come forward and say that they would effect a retrenchment, at least to the extent of a particular amount which would be deducted at the end of all the grants. We cannot propose it because it would be out of order to bring forward a general Resolution of that character. One remark more, Sir. With regard to the services of Railways, postal and other commercial undertakings, which we know cannot be reduced by 5 per cent. because coal must be bought, salt must be bought, postal subsidies must be given, all these items

Mr. President: The motion to reduce expenditure is in respect of income-tax by 5 per cent. I gave a certain latitude this morning because a question of principle was involved. Whenever these motions are moved, the discussion must be strictly limited to the Demand under which the reduction is moved.

Sir Vithaldas D. Thackersey: I will only say that this is the only way in which we can reduce expenditure. But if the Government can suggest any other way, we are prepared to accept it.

Mr. J. Ramayya Pantulu (Godavari *cum* Kistna: Non-Muhammadan) I beg to oppose the motion made by Dr. Gour, not because I think that no reduction is needed but because I think that the reduction that he has proposed does not go far enough and also because I think that the way he proposes to curtail the expenditure, as has been pointed out, is unbusinesslike. I have myself a motion on this subject which, if approved by this House—and I hope it will be approved by this House—will go very much further than Dr. Gour's motion in reducing the expenditure, and I shall elaborate my arguments on that point when I come to my amendment. If it is approved, it will really give us about 50 per cent. saving under this head.

Mr. N. M. Joshi: Sir, the Honourable the Finance Member has challenged the members of the Standing Finance Committee to speak on this Resolution. Sir, I am a member of the Standing Finance Committee and I have considered the proposals of the reorganisation of this Department very carefully. As regards the scale of pay proposed by Government, I completely approved of them. But, even during our discussion at the Standing Finance Committee, I did not approve of the number of officers that were proposed by the Government. I think the staff which they have proposed is excessive; at least Government should try for a year with a smaller staff and if they find, after an experience of a year, that the staff is not sufficient, they may come forward next year with proposals for additional staff. That was my proposal at the Standing Finance Committee, and I think that was a very reasonable proposal. I therefore believe, after having gone very carefully into this question, that a 5 per cent. reduction is not too much.

Mr. R. A. Spence: Sir, in view of what the last speaker has just said, I, who am in favour of retrenchment, would ask you not to accept this motion. He stated that he considered that the number of officials was on the large side and he suggested that the Government should knock out several of these members and, if at the end of year, they found that they had not been able to do the work, then they could put some more in. Now, gentlemen, as taxpayers, payers of income-tax, just think what that means. It means that a large sum of money is going to be lost to the Government of India,

probably going to remain in some of our pockets, because they have not enough income-tax officers to collect it from us. Is that retrenchment? I say let us have the staff which the Government of India consider necessary and, if it is found afterwards that that staff is too great, then retrenchment can take place. But in the case of income-tax where you are collecting money, any reduction in the staff will mean a reduction in income.

Mr. N. M. Joshi : The reduction will not mean that.

Mr. R. A. Spence : To my mind, it is the importers, merchants and exporters who are going to pay a great deal of extra money in consequence of the reduction made in the last vote, but, if this vote is passed, my opinion is that it will be the Government of India which is going to lose very heavily. We want retrenchment. For God's sake, Sir, I would ask this House not to pass any reduction on this service of income-tax. We all know that it is on account of lack of means that income-tax has in the past been lost to Government.

Rao Bahadur T. Rangachariar : Sir, as a member of the Standing Finance Committee, to which reference has been made by the Honourable the Finance Member, I have no hesitation in supporting the motion for an all-round reduction of 5 per cent of the expenditure. I do so with the greatest pleasure in this Department in a year of financial stringency. It is the cost of improvement of the machinery which has swelled up the figures which Dr. Gour has mentioned in support of his motion. Therefore, this being a new expenditure which we are going to incur, I support this reduction. I quite agree that all the items of expenditure proposed would be beneficial in the end, but I quite disagree with Mr. Spence that we are going to suffer in the loss of income simply because we do not improve the machinery of collection.

The machinery for the collection of income-tax is far too perfect, in my opinion. (Laughter.) It is quite true that the object of the income-tax legislation and one of the main objects which weighed with me was to remove some of the weapons from the hands of the Executive Government, and I, therefore, welcomed the measure of separating income-tax officials from the ordinary executive officials of the district. It is one of those things which we all ought to aim at, namely, the separation of executive and judicial functions and the separation of executive and revenue functions. It is in that sense that we are aiming at perfection in the income-tax machinery. I, therefore, as a member of the Standing Finance Committee, had no hesitation in approving of the detailed proposals and of the pay fixed for the staff. The question is whether this should come in at once, should come in in the course of the year; could it not come in gradual stages? I would have welcomed the immediate introduction of the whole of that machinery if our finances were not in the pitiable condition in which we find them to-day. Therefore, I say it is not a case where you are going to interfere, as in the Customs Department, with an existing establishment. That, no doubt, was a stronger case, but this case is much weaker. I am quite surprised to hear Mr. Spence saying he thinks this is a stronger case than the Customs case.

Mr. R. A. Spence : No, I did not say that.

Rao Bahadur T. Rangachariar : The Customs case is a case where you have an established Department; the Income-tax case is a case where a Department is going to be established and, therefore, we can do so with an easy conscience on account of financial stringency. This 5 per cent. reduction which we suggest is not going to hurt the scheme; on the other hand, certain details can wait for the next year when our finances improve. I take it that Dr. Gour's motion is really not 5 per cent. of the Demand but 5 per cent. of the total expenditure. That is what we claim. If Dr. Gour's motion is 5 per cent. of the Demand, I am in agreement with Mr. Ramayya Pantulu that it errs on the side of being too little. If Dr. Gour will amend his motion or say what he means, then we will be able to support it; otherwise we will not.

Dr. H. S. Gour : I did mean 5 per cent. of the total expenditure, and that is what I imply by this motion.

The Honourable Sir Malcolm Hailey : May I have your permission, Sir, and the indulgence of the House to add three facts to this discussion? We have not asked for the introduction this year of our complete scheme; far from it. If the House will turn to what we have said on page 14, they will see that we have proposed to introduce part of the scheme only now. Take the case of Bengal—8 lakhs against 10½.

As to whether it is urgently necessary to introduce this establishment or not, may I give the House a fact in point. We have in Bombay—and I take pleasure in mentioning it after what Mr. Spence has said—three crores of rupees of arrears of uncollected income-tax, and we know that there are

some thousands of unassessed assesseees. Now, a short time ago we wrote to Bombay, following on the sanction of the Standing Finance Committee, asking them to engage the necessary establishment to collect that three crores of arrears of income-tax. Three crores of arrear collections means this, that we are borrowing three crores to meet current expenditure and we are paying 5 or 6 per cent. interest on that. Very convenient to the assesseees, no doubt, but not very good for the finances of the country.

As regards the general pitch of our proposals, may I say that the Madras Government propose an expenditure of some 4 crores more on their provincial staff than we are proposing on our central staff? And, may I add again, with reference to what Mr. Rangachariar has said, that in Madras itself we have never yet succeeded in collecting in any one year more than 75 per cent. of our Demands?

Mr. N. M. Samarth : May I inquire as to the three crores of arrears in Bombay, how much of that is due from traders who are practically bankrupt?

The Honourable Sir Malcolm Hailey : I cannot discriminate to that extent. I only know that there are three crores of arrears which we want to collect.

Dr. H. S. Gour : Do I take it, Sir, that the Honourable the Finance Member implies that the arrears not recovered in Bombay are due to insufficient staff and to that alone?

The Honourable Sir Malcolm Hailey : Most certainly: that is the definite fact.

Rai Bahadur Bakshi Sohan Lal (Jullundur Division : Non-Muhammadan) : Sir, the machinery of collection through the agency of local officers, Tehsildars, Assistant Commissioners and Deputy Commissioners of the district, was much better and more efficient than the new agency of strangers who know nothing about the condition of the people. The local officers were fully acquainted with the incomes of the residents of their districts or tehsils. The new Department now created during the current year, which has at least doubled the expenditure, instead of being in a better position to assess in the sense of fair assessment, is in the majority of cases wrong, on the side of unfair assessment. In some cases the assessment is too excessive and in other cases it is too inadequate, and the arrears are due to excessive assessments rather than to the unwillingness of the assesseees to pay. The traders very often, in order to maintain their credit in the market, do not consider it proper to disclose their liabilities which are in a majority of cases known to the local officers, and the strange officers assess them on their income without deductions of the amount of interest and losses which they have to pay, while absence on their part to produce a written declaration of income under the newly introduced system makes the person liable to be assessed at any amount which the collector of the tax may consider it necessary to assess. Petty traders who cannot afford to keep accountants and to have regular accounts and have to attend many indoor and outdoor engagements and social functions and have also to work in the shop as well as to go out, are very often handicapped to file any written declaration about their incomes; and, in any case, the person who knows all their circumstances is a better judge than an independent stranger who does not know anything about their financial conditions. From the statements it will appear that it is the new system which has just been introduced which has doubled the expenditure. In 1911-12 the whole expenditure was 4 lakhs; in 1912-13 it rose to 8 lakhs; in 1920-21 it rose to 11 lakhs; in the current year it was 28 lakhs, and now it is intended to be increased to 44 lakhs and 80 thousand. I may refer to one instance. A Deputy Commissioner of Income-tax under the new system told me that he was not in any way a better judge to assess persons than the old local agency of Deputy Commissioners and Assistant Commissioners. He admitted to me that he had to perform the duties, but, as a matter of fact, the whole newly created Department was useless. I respectfully submit that, instead of entrusting this work to a separate Department, it is much better to rely on the local officers, and I do not think the newly created officers are better qualified in any way or better able to collect the taxes than the local officers. I respectfully submit that in the present financial difficulties this new Department ought not to have been thrust upon the country, and, if it has been thrust upon the country, it can be postponed, because the officers who have been deputed belong to the old Provincial or Indian Civil Services and they can be reverted to their duties in the districts. With these few remarks I support the amendment moved.

Mr. Darcy Lindsay (Bengal : European) : Sir, I rise with some diffidence to speak on this subject, as my pocket cries out in sympathy with my

Honourable friend, Mr. Rangachariar, in his view that the income-tax officials are sometimes oppressive and perhaps too attentive. But in the best interests of the country, Sir, and of the government of this country, I strongly support the increase that is proposed in expenditure on the collection of income-tax. It is a very well-known fact that in the past income-tax has not been collected as it should have been. The Honourable the Finance Member has unfortunately not quoted figures and I have not got those figures at hand, but from all one hears the income derived from income-tax during the past two years has vastly exceeded what the country has ever received before. And what is that due to, Sir?

Mr. N. M. Joshi: Increased rates.

The Honourable Sir Malcolm Hailey: No, no.

Mr. Darcy Lindsay: It is due, Sir, to the attempt to reorganise this establishment on a sound basis.

Dr. H. S. Gour: No, they are going to begin next year.

Mr. Darcy Lindsay: It has already begun. I notice that in Bombay the expenditure charge is very heavy, a charge heavier than in any other province. Perhaps they have not yet begun there. My point, Sir, is that, if you wish to collect full income-tax, you have got to pay your men adequate salaries. To my mind, it is one of those Departments where there can be leakage, and if you underpay your men that leakage may be appreciable. I, therefore, submit, Sir, that this House should submit to any expenditure that the Government of India consider necessary to collect this very valuable item of revenue—income-tax. (Hear, hear.)

Mr. W. M. Hussanally (Sind: Muhammadan Rural): Sir, I am afraid the proposal made by my Honourable friend, Bakshi Sohan Lal, is out of date. I do not think that the new Income-Tax Act, just recently passed, can go back to the old lines; but, Sir, there is one point to which I will confine my remarks, and that is in connection with the Presidency of Bombay.

There are two Commissioners provided for the Bombay Presidency, whereas, so far as I can see, there is only one Commissioner for any of the other provinces. I believe that the extra Commissioner provided for the Bombay Presidency is the gentleman for Sind, because we have recently got a Commissioner appointed for that province. Now, Sind, Sir, is only one-fifth or one-fourth of the Presidency of Bombay as a whole, and if one Commissioner can suffice for the collection of income-tax in the rest of the Presidency, that is, in three-fourths of the Presidency, I don't see why an independent highly paid officer on about Rs. 2,500 a month is necessary for a small province like Sind. The nature of the work which that officer has to do is only deciding a few hundreds of appeals in the large towns of Karachi, Hyderabad, Shikarpur and Sukkur. There has been a little complaint in the local Press about the work that he has been performing. At any rate, Sir, if a separate Commissioner for Sind is necessary, I do not see why such a highly-paid officer should be appointed in an exceptional year like this. We have got a very competent Collector of Income-tax in Karachi, and if he were given that post at a greatly reduced salary, I think he would do twice as well as the present gentleman is doing. Therefore, this item alone will bear considerable reduction.

The Honourable Sir Malcolm Hailey: It is not a new item.

Mr. W. C. Renouf (Punjab: Official): Sir, I should like to join issue with my Honourable friend, Rai Bahadur Bakshi Sohan Lal, when he says that the Deputy Commissioner and his revenue staff were an ideal income-tax assessing agency. In my own experience, the reverse was the case. The system gave satisfaction to the assesses, who had such excellent opportunities of evading assessment and enhancement, and I can understand its popularity. But the State was losing large sums every year.

I have in mind a special case when I was Deputy Commissioner at Rawalpindi, when an Extra Assistant Commissioner was deputed for some three months to re-assess Rawalpindi City. He was not an expert but he was able to give his whole attention to the income-tax question, and he doubled the assessment.

Sir, the new establishment now proposed will work on these lines, and I shall be surprised if it does not lead to a big increase in the Government of India income-tax receipts which now stand at about 22 crores. I expect to see that figure at something like 30 crores in the course of the next 4 or 5 years. In these circumstances, I think the proposed new establishment is justified, and that it should be introduced in its entirety.

Mr. J. P. Cotelingam: Sir, as a member of the Standing Finance Committee, I feel it my duty to raise my voice against the Resolutions for any decrease in respect of the Demand under Income tax. All the proposals that the Honourable the Finance Member made mention of were placed before the Standing Finance Committee, and, if I remember rightly, the members present agreed to the schemes proposed.

Mr. N. M. Joshi: I did not.

Mr. J. P. Cotelingam: The question of salaries of the Commissioners came in naturally for a good deal of discussion. Some members did not readily give their assent to the apparently large salary proposed for the Commissioners in the various provinces. Questions were also raised as to why there should be Assistant Commissioners appointed in addition to Commissioners. Satisfactory explanation was given by the Honourable the Finance Member. A number of new appointments had to be created as the Department was going to be reorganised and had large duties to undertake, seeing that in the various provinces, and notably in the Bombay Presidency, there were large arrears of income-tax due. As has been mentioned by the Honourable Sir Malcolm Hailey, we were given to understand that, if we had the full quota of officers recommended, we could reasonably expect this year a very large addition to our finances.

Again, Sir, in connection with the number of appointments to be made, it was pointed out at one of the meetings at which Mr. Sim, I believe, was present, that a number of graduates who have intimate knowledge of the vernaculars would be appointed to special posts and no objection was taken to such appointments by any members present, if I remember rightly. My own impression, Sir,

Rao Bahadur T. Rangachariar: I rise to a point of order. I thought it was an understood thing that Honourable Members ought not to refer to what happened in the Finance Committee, and if I am to hark back to my recollection of many of the things which have been mentioned I do not know whether I will be able to bear out all the Honourable Member says; and we will be dragged into a conflict of memories. I think, Sir, the matter arose once on a former occasion and I think you ruled, if I am not mistaken, that what happened in these Committees should not be mentioned. At this rate, I am afraid, we will be drawn into unnecessary details.

Mr. President: As Honourable Members are aware, the report of the proceedings of the Standing Finance Committee is circulated; and though it is not actually recorded in the reports of this House, still it has the character of a public document. The Standing Finance Committee is in some ways different from a Select Committee, the report of which is confined strictly to the conclusions arrived at.

Dr. H. S. Gour: May I ask, Sir, if the Honourable Member, Mr. Cotelingam, was referring to the published report or to his own recollection of what transpired in this Committee?

Mr. J. P. Cotelingam: In what I have said I have revealed no secrets which transpired in the Standing Finance Committee, I have not given expression to anything that was of a confidential nature. Let me proceed, Sir, and conclude. My own impression is that we shall, in the working of this Department during the forthcoming year, not only have perhaps a five per cent. reduction but a much larger reduction. It has been explained by the Honourable the Finance Member that the various Departments are being organised and it will be a long time perhaps before the full strength of the staffs in the various offices will be appointed: and I trust that Honourable Members will not stand in the way of the full Demand being granted under 'Taxes on Income'.

Mr. J. F. Bryant: I move, Sir, that the question be now put.

Dr. Nand Lal: I was not on the Finance Committee and, therefore, I cannot say anything about it. Members of the Finance Committee are, I may be allowed to say, going to take great advantage of their presence there; but I shall refer to two points. One is this, that the taxation is too much. Has there not been a general cry in this country that the Income-tax is already very very heavy and that the people cannot afford to pay it. They are paying because they are compelled to do so; they level very severe criticism against our conduct when we are going to pass each and everything against their wishes. This is a fact which is unchallengeable that the taxation is very heavy. The Government tells us that the increase in demand has been necessitated on account of a certain change which has been effected or which is, gradually, going to be brought about. Now, I ask the Honourable official Members whether it is a fit occasion to think of these innovations when we

are on the verge of bankruptcy. I must say that this change, this proposed alteration is not a right thing. Now, as to the merits of the alteration. The question whether the alteration is, economically, good or bad, can be discussed by making a reference to the elementary principles of arithmetic. The Deputy Commissioners and Collectors have been appointed to work, so far as the Income-tax Department is concerned, exclusively. The Government officials shall have to agree with my contention that they need not work throughout the year.

There are certain months in which the intending assesses are called upon to submit their returns in regard to their income, and on the receipt of those returns the Collectors usually examine them and assess. The whole work takes only a few months—not more than four months at the utmost (*The Honourable Sir Malcolm Harley* : 'No, no') For this work, which can be transacted and which, barring a few complaints, was being done ably before, we are going to pay for the whole year. (*The Honourable Sir Malcolm Harley* : 'No, no') Therefore, on the simple principle of arithmetic, this seems to be hardly right. No economic principle will support this change on the part of the Government which come forward with so heavy a demand. Some time before I submitted, in regard to a previous amendment, that expediency should be given preference. If the demands which have been asked for, if the alterations which have been effected or which are desired to be effected, are of greater convenience to the public, the public—I mean to say the people of this country—may feel constrained to consider them and pay for them. But we find that no improvement is effected so far as the treatment of the subordinate service is concerned. I daresay the present change has brought about a little wholesome result, so far as the selection of the Commissioners, Deputy Commissioners, and some of the Collectors is concerned. I must concede that aspect of the question in favour of the Government, because I must be fair and just in my remarks. But, in the case of the subordinate establishment, the trouble is the same as it used to be. Sir, you will be surprised to hear that they look upon themselves as masters and not public servants. Big Sowcars and millionaires send their servants or mukhtars, when they are summoned to produce their accounts. Do you know the system by which they examine the accounts? Supposing an auditor or examiner chooses to go through these accounts. He will not fix a sufficient number of days so that people may not be put to inconvenience. But he will, as I am told, issue Summons to a large number of people, saying, 'Come on, bring your accounts and registers.' The registers are brought. The big merchants, the rich men who are busy people, will send their Maniyams, and servants and Mukhtars with the registers. You will be surprised to hear, Sir, that only a few of the registers will be examined and the other people will go disappointed. Now, Sir, can you entertain an idea of the opinion which they form on that occasion and after this sort of treatment? They say: 'Oh, there is nobody to think of our convenience.' Nick names are given by them to the Government. We, the representatives of the people, who know about the feeling of the public, cannot tolerate this sort of thing. We cannot allow this demand in the presence of such sort of treatment. On the top of it they do not look upon themselves as public servants, they forget to realise that they are in the pay of the Indian Exchequer and consequently are servants of the people. They think that they are masters. Some of them think like rude masters. Therefore, the demand which has been asked for does not deserve our sympathy, and I am in full accord with the amendment, and support the retrenchment. With these remarks, I vote for the amendment which has been moved.

Sir P. S. Sivaswamy Aiyer (Tanjore *cum* Trichinopoly : Non-Muham madan Rural) Sir, I should just like to say one or two words upon this motion for the cutting off of five per cent. from the estimates generally.

While I am in sympathy with the policy which has dictated this series of amendments to cut five per cent. from the estimates as a measure of prudence in attacking the Budget, I do not think that the demands under the head of Income-tax are an appropriate subject for attack on this ground. (Hear, hear.) The Income-tax Department is one of our most productive departments and occupies a very peculiar position. Till now, the income-tax was being collected by officers of the provincial Governments not wholly occupied in the collection of income-tax but having other duties to discharge. It is only after the separation of the provincial and central revenues and the introduction of these Reforms that it has become necessary to imperialise the Income-tax Department altogether and to entrust the collection of the income-tax to full-time officials under the control of the Central Government. That is a process of reorganisation which seems to me to be absolutely necessary in the interests of the completion of the separation of the Central and Provincial finances. In that view, it seems to me desirable and necessary that we should

accede to this demand under this head, making up, if necessary, by cutting a little more than five per cent. under some other head, as for instance the General Administration.

Bhai Man Singh (East Punjab : Sikh) : Sir, I rise to support the amendment now before the House. This is a new Department which we are now creating. When we ask, 'Why are such and such Departments over-manned, what is the use of keeping so highly-paid officials?' we are met with the stereotyped argument, 'Look here. What are we to do with our old staff? Are we to dismiss them?'. I do not remember the exact words, but if I mistake not, my Honourable friend, Mr. Innes, while replying during the Customs debate said something to this effect : 'What are we to do with the old men who are already in the Department on greater pay, who are drawing fixed salaries ; are we to dismiss them, etc?' Now, I submit that this is a new Department and ought not to be fossilised on the same old lines. I said in my Budget speech that there must come a turning point, and when we are creating a new Department I would beg the Honourable Members of this House most earnestly to take a turning point and not submit to a demand made on the same grade of high salaries as we have been submitting to hitherto. Let us not be carried away by the sentimental argument, 'Oh, it is a paying concern. Let us not touch it'. It is quite all right. Every business firm is a paying concern, but it never stops to think whether it can manage its affairs more economically or not. I should like to draw the attention of the Honourable Members to one little fact. Supposing we just have Commissioners who are a little less paid, and similarly we have Deputy Commissioners who are a little less paid, how much can we make? If in the Central Board we have a Commissioner who is paid only Rs. 2,500 a month, similarly Commissioners in the provinces drawing salaries not more than Rs. 2,000 a month and Deputy Commissioners drawing salaries not more than Rs. 1,500 a month, I submit that, even if we calculate on that basis, we can have a reduction of about Rs. 95,000, that is about a lakh.

I submit, Sir, it would be very well to argue, 'Look here. We want efficient men to manage the work'. But I would like to know, Sir, where is the necessity of always having Indian Civil Service men who belong to a Covenanted Service and whose pay goes on increasing. I hope my remarks will not be taken in any other spirit than they are really meant. My object is simply economy, and if we can get good and efficient men on less pay, there is no reason why we should not adopt that scale. I for myself, excuse me, cannot understand why, even if we have to select Indian Civil Service men, we cannot select men below a certain grade of pay. Again, Sir, at least in the Punjab, I find that a good many of these officers have been taken from the Provincial Service and they are paid on the average Rs. 100 more than what they were drawing as Extra Assistant Commissioners in the province. I have no quarrel with that, but I would say that if we draw these men from these services we should only get those men whom we can pay at a lower standard. There is no argument in saying that we should always put the highly-paid men in this Department. I want to say one thing more. I should like to know what are the special qualifications on the basis of which we select a senior man from a particular service or a junior man from another. Again, Sir, this is a Department which has to deal mostly with business men. I really fail to see what are the special qualifications of these men who are drawn from the Provincial or the Imperial Services. What special qualifications have they got to deal with the Income-tax Department? Most of them are very often ignorant of the methods of business men, how they keep their accounts and how they work. A good many of them have to take the help of low-paid clerks and munims who alone know how the accounts are kept and they have to depend on these men. That is the cause of the difficulties pointed out by my friend, Dr. Nand Lal. These business men are subjected to a lot of troubles. They have to go to these officers, wait for days together just as they would do in a judicial case, where witnesses are sent away frequently and asked to appear a number of times. This is, however, not so much to the point. As the House will understand, if we allow this Department to grow on the old scales, we shall be faced with a tradition of highly-paid officers. Take men from the Imperial Service. Take men from the Provincial Service, or take men from the outside. I would preferably say : 'Take as many men from outside as you can specially from commercial and banking circles', because these men work in commercial firms and they know where the weakness of the accounts lies, whether the profits shown are more or less and what has been the state of trade in a certain year. This would be another extra advantage, by taking other people, but we should always make it a point to see that we do not employ so highly-paid officers as we are doing now, as provided for in our present Budget. It has been argued, Sir, that the Department is not over-manned. If I can depend on my observation about the working of this newly created Department in the Punjab, I

would say that the Provincial Service men who have been taken from the Provincial Service to the Income-tax Department have not got at the most two-thirds of the amount of work to do in this Department as they had to do in the other Department from where they were taken. I speak from my personal knowledge of this matter; of course, it may be said that it is limited to a certain circle. This being the case, why should we not adopt this motion which has been put forward before us by Dr. Gour? It has been said by our Honourable friend, Sir Malcolm Hailey, that there are lots of arrears lying in the different Presidency towns, Bombay or Madras, but that was under the old system, and no simile from the old system can be exactly applicable to the new system.

The Honourable Sir Malcolm Hailey : Under the present system.

Bhai Man Singh : A word about what my Honourable friend, Mr. Pantulu, said. If I heard him aright, my Honourable friend said that, according to his views, there is a much larger scope for retrenchment than has been asked for by Dr. Gour. I say that it is open for him to fight for the larger retrenchment when that time comes, but, of course, when we adopt a smaller retrenchment, this, according to the rules of procedure, does not bar your adopting another motion for a larger retrenchment. So he should not be afraid of voting in favour of Dr. Gour's amendment, and there is no chance that his amendment will not be discussed or taken up by the House. (*Voices : 'I move, Sir, that the question be put.'*)

Mr. President : The question is :

'That the demand under head 'Taxes on Income' be reduced by five per cent.'

The Assembly then divided as follows :

AYES—49.

Abdul Majid, Shaikh.
Abdul Rahaman, Munshi.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Das, Babu B. S.
Das, Pandit R. K.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Iswar Saran, Munshi.
Jafri, Mr. S. H. K.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.

Man Singh, Bhai.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Pyari Lal, Mr.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahab-ud-Din, Chaudhri.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Yamin Khan, Mr. M.

NOES—47.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Abul Kasem, Maulvi.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingham, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.

Jamnadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Kabraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.
Lindsay, Mr. Darcy.
McCarthy, Mr. F.
Mitter, Mr. K. N.
Mukherjee, Mr. J. N.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sharp, Mr. H.
Spence, Mr. R. A.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahruddin Ahmed, Mr.

The motion was adopted.

Rao Bahadur T. Rangachariar : Sir, I move :

'That the provision of Rs. 10,000 for contingent charges, Board of Inland Revenue, be reduced by Rs. 5,000.'

This motion is made to elicit information. This is a new Department which is now created, and I notice, Sir, that the two fat appointments are made non-votable, whereas minor appointments are to be under the votable head. One point on which I wish to elicit information is whether further fat appointments in this Department are going to be made non-votable. The other point is . . .

The Honourable Sir Malcolm Hailey : May I ask the Honourable Member what the two fat appointments to which he so choicely refers are ?

Rao Bahadur T. Rangachariar : I made a mistake, I am sorry. I beg your pardon. It is one appointment. Have the Government made up their minds as to what the future constitution of this Board of Inland Revenue is going to be ? The Honourable the Finance Member, I remember, stated that for the present he is going to have only one member. But, if it is going to be a future constitution of two or more members, I should like to have information as to what that constitution is going to be, whether Indians are going to be associated in that Board and what the salaries proposed are likely to be.

Then, for a new Department like this, on the substance of this motion itself, it strikes me that Rs 10,000 for contingent charges for a small establishment like this (one officer Rs. 47,500, and the assistants and servants costing Rs. 14,200, Travelling Allowances Rs. 8,000), why should the contingent charges be so high as this ? As to the total, I am not able to understand. These are the two matters which I beg to place before the House by means of this motion

The Honourable Sir Malcolm Hailey : As regards the point of information, the House I think knows the history of the case ; it knows the steps by which we arrived at calling our new institution a Board of Inland Revenue. That was not our own original proposal. We proposed simply to have one head Commissioner of Income-tax, but in the course of discussions in Select Committee it was thought that it would be better to constitute a Board of Inland Revenue. Our intention remains exactly the same. As far as I can see at present, there will be only one member of that Board ; I certainly have myself no intention of proposing a second member. I cannot guarantee the distant future, but I am quite sure that any future provision that it is desired to make will be proposed after due consideration of the feelings of the House on the subject. I need not, therefore, perhaps, go further into that point. In some years one member will be sufficient ; in fact, I do not think the number is likely to be increased until the commercial community itself demands that it should be done.

So much for the point of information, which I hope is satisfactory to my Honourable friend.

With regard to the point of substance, I confess that we have no accurate estimate by which we have arrived at Rs. 10,000. It is a new office, though only but a small one, but a certain amount of office furniture is required. For my own part it is really immaterial I think whether that stands at Rs. 10,000 or Rs. 5,000. We are prepared to pay the minimum that may be found necessary.

The motion was negatived.

Rai G. C. Nag Bahadur (Surma Valley cum Shillong : Non-Muhammadan) : Sir, I beg to move :

‘ That the provision of Rs. 12,600 for one Special Income-tax Officer, Madras, be omitted.

There are altogether five amendments in my name under this Demand, and they all proceed on the same lines. I shall, in a few words, explain my reasons for moving them.

If the Honourable Members will turn to page 296 of the Demands for Grants, they will find there mentioned the total expected receipts of the Central Government, as well as the estimated receipts of the various provinces shewn separately. The total expected receipts are Rs. 22,11,39,000. If you will turn to page 8, you will find the total Demand to be Rs. 47,55,000, which means that the cost of collection bears a proportion of 2.1 per cent. to the revenue. This is the all-India average. The cost of collection incurred by Government may appear at first sight to be extraordinarily low. But if we take into consideration the fact that a very large portion of the Income-tax is realised automatically out of Salaries, Pensions, Commissions, Interests on Bank Deposits, dividends, and so forth, without the intervention of the Income-tax Collector, we shall find that the Income-tax Department is not worked so economically as would appear at first sight.

Now, if you compare this all-India average with the Demands for Grants for the various provinces, you will find that this average is exceeded by Madras which wants 3·7, by the United Provinces which wants 4·7, by the Punjab which wants 7·9, by Bihar and Orissa which wants 4·1, by the Central Provinces which wants 5·9. The expenditure of Assam on its Income-tax establishment is the correct of all, being less than 1 per cent. on its receipts. Next come Bengal and Bombay with a little over 1 per cent. In the remaining five provinces, the expenditure varies from 3·7 per cent. in Madras to 7·9 per cent. in the Punjab. I think the House is entitled to get some explanation from the Finance Member as to the causes of this striking variation from province to province and as to why in every one of these cases the all-India average, 2·1, has been exceeded.

Now, I shall deal with my amendment. The revised estimate of Madras for the current year is Rs. 4,40,000 which bears a proportion of 2·1 per cent. on the receipts. For the ensuing year, the Demand for Grant is 8 lakhs, which means an increase of 81 per cent. on the current year's expenditure, but the increase in receipts was no more than about 36 per cent. No explanation is available why there should be an increase of expenditure to the extent of 3,60,000 or even less, especially in a year of deficit like the present.

Now, with regard to the particular item, one Special Income-tax Officer on Rs. 1,000 rising to Rs. 1,250, the Honourable Members will see that he is an old officer on the Income-tax staff of Madras. The Government are going to reorganise the Department and are budgeting for one Commissioner on Rs. 3,000 a month and a large staff of subordinate officers, such as Deputy Commissioners, Assistant Commissioners and so forth, at varying rates from Rs. 1,500 to Rs. 240, keeping the old Special Income-tax Officers on Rs. 1,000 to Rs. 1,250 as before. Now, my point is that, when you are going to reorganise the Department with such a superior officer as a Commissioner at its head, the retention of the old Special Income-tax Officer is untenable. It is stated, in the explanatory note given at the end of the Chapter, that the new schemes now being introduced in the provinces have been approved by the Finance Committee. If so, I fail to understand the principle on which that Committee should have accorded their approval to schemes which, as I have shown, lay down scales of expenditure in the various provinces varying from less than 1 per cent. on the receipts as in the case of Assam to nearly 8 per cent. in the Punjab. In any case, I have yet to know that, although they might have approved of a particular scheme for Madras, they approved of the vast increase of expenditure from Rs. 4,40,000 in the current year to nearly its double in the ensuing year. There is, however, nothing to show that, while they approved of the introduction of a new scheme, they approved likewise of the retention of the old high salaried Special Income-tax Officer. In any case, the retention of this officer seems quite untenable. I may tell the House that in Bengal and Assam the work of assessment and of hearing objections is done almost entirely by Deputy Collectors. Even in the city of Calcutta, the Collector of Income-tax used to be a Deputy Collector. No one has been found to say that Income-tax work in these provinces was not done properly and well by this class of officers. In place of them you are going to create posts of Commissioners on Rs. 3,000 and of Deputy Commissioners on Rs. 1,500 to 1,800. But if you are going to create such high posts, why should you not be able to manage each province with one such high-salaried officer at the top, assisted by the class of officers of the rank of Deputy Collectors. It is true that for hearing appeals you require a superior staff, but for this purpose one superior officer, exclusively for this work, for provinces such as Madras, Punjab, United Provinces, Bihar and Orissa and the Central Provinces, should be enough. I strongly object to the creation of too many fat berths in each province for this work. Then, again, if you will turn to page 14, you will find it stated in the Explanatory Note that for Madras there is a scheme for introducing a new staff of officers with one Commissioner on Rs. 2,000 to Rs. 2,500, the first incumbent being, however, given Rs. 3,000 a month. I have not been able to understand the meaning of 'however' here. The Finance Member will, no doubt, enlighten the House why the present incumbent should get Rs. 500 more than the maximum proposed in the new scheme.

Did the Standing Finance Committee also approve of the increased pay to the present incumbent? I doubt this very much. If the present incumbent was an old officer drawing already Rs. 3,000, surely a place for him could have been found elsewhere where the same post carried an initial pay of Rs. 3,000. As this is now an all-India Service, there should be no difficulty about it. In any case, the amendment is a very modest one, and I commend it to the acceptance of this House.

The Honourable Sir Malcolm Hailey : I said that it would be possible to make some reductions in this Department if we were prepared to give up the improved efficiency to which we had otherwise looked. I am afraid that my Honourable friend, however, has hit on one of the cases in which it would be exceedingly difficult to make a definite reduction. I will give my reasons to the House. My Honourable friend has covered so very wide a range in the course of the discussion that I am not at all sure that the House will remember exactly what his objection was to this particular officer. He said that there was no reason whatever for maintaining an officer on this high rate of pay as a Special Income-tax Officer in Madras when we were reorganising the establishment with a view to introducing a regular scale of pay throughout. Well, Sir, this is an officer who has been employed there for some time. We have retained him for the purpose of bringing him on to the new scale which you will see on page 14 of the Demands for Grants, where you will find provision made for Assistant Commissioners on Rs. 1,000 rising to Rs. 1,500. We cannot immediately dispense with him nor indeed do we desire to dispense so experienced an officer and we intend to bring him on to the scale of pay of an Assistant Commissioner. Consequently, the criticism of the Honourable Member, if it still has any force, becomes a criticism directed not against this officer but against the new scale of pay which we intend to introduce for the Department in Madras. Now, I will trouble the House for a few moments, because it will enable me to clear up a good many points which were raised in the course of the previous discussion, to which I did not then find time to allude, as also to some of the points now alluded to by my Honourable friend. We do not intend to bring into this Department a large number of Indian Civil Service officers on a high rate of pay. On page 14 you will find what we consider to be a reasonable rate of pay, and I think that my friends in the Standing Finance Committee did not differ amongst each other on this point at all events, that that was a suitable rate of pay for a self-contained and largely Indianised Department. But, Sir, you cannot create a Department forthwith and outright. We have placed a Commissioner in charge who happens to be an Indian Civil Service officer, because there was no one else in the province with an equal experience of income-tax work who could be trusted to organise the new Department. This is also the case in some other provinces where we have placed an Indian Civil Service officer in charge, but, as soon as we can get officers from within the Department itself (who will not of course belong to the Indian Civil Service) we shall of course do so. The present is a purely temporary arrangement.

Now, why does Madras, according to my Honourable friend, cost more for establishment than elsewhere and why is there this difference in the cost of establishment as between various provinces, some showing, I will take his own figures, an expenditure of 3 per cent. for collection, others showing an expenditure of 7 per cent. for collection. The difference consists, of course, entirely in the nature of the work in the different provinces. Where you have large presidency towns and very few rural assesses, a small expert establishment, dealing mostly with Companies, large assesses and the like, can recover a large sum at a comparatively low cost. Where, on the other hand, you have a very large number of rural assesses, your establishment must, by the mere force of circumstances, be larger, and, on the whole, its returns smaller. That in itself accounts sufficiently for the difference between the provinces. As for my Honourable friend's assertion that the old Deputy Collectors whom we had in charge of the income-tax work were perfectly satisfactory, I have heard enough in this House this year and last year to know that the House itself agrees that this is not the case. Well, Sir, the only definite point before the House is this, whether we should reduce this particular officer. As I have said, he is already in employment. He fits or will fit in when the time comes into the new scale we have proposed. I maintain that that scale is not in itself excessive and that, therefore, there is nothing to be gained by attempting to get rid of the appointment.

Mr. R. A. Spence : Sir, may I rise for a point of information? I see on page 296 that poor Bombay pays in income-tax Rs. 4,85,00,000 compared with which rich Bengal pays Rs. 3,80,00,000. On page 10 I find that Bombay is paying 3 lakhs more for collecting the income-tax. Is there any cause and effect here? And the Presidency which has got the bigger establishment and which pays more for establishment, collects more income-tax?

Mr. President : The Honourable Member's question concerns Bombay and Bengal, while this amendment relates solely to Madras.

Rao Bahadur T. Rangachariar : Sir, I am afraid Mr. Nag has not appreciated the real position in Madras in relation to this matter. It is really not a new appointment at all. The practice hitherto has been for the Revenue Department, for the ordinary Revenue Department, to undertake the collection and assessment of income-tax. The Special Income-tax

Officer deals with cases in the city of Madras. The Collector of Madras is the revenue officer for the whole city. He was the supervising officer. He dealt with cases, I believe, of Rs. 50,000 and upwards. Assessee of Rs. 10,000 and upwards used to be dealt with by the Special Income-tax Officer. I remember there was a lot of complaint of the way in which income-tax cases were disposed of by the Collector in Madras when he had not the assistance of the Income-tax Officer. The Collector had too much work to do in his other capacities and the Deputy Collector used to deal in those days only with cases of Rs. 10,000 income, and all cases above Rs. 10,000 used to go up to the Collector. In this way he had to deal with too many cases, specially cases of Marwaris and Gujeratis who form the greater portion of assessee in Madras. They keep their accounts in a manner which requires close investigation. My friend, Mr. Narayan Das, brought forward a motion in this House, it will be remembered, about the rule imposed by the Madras Government that the assessee should produce their own translations of their account books, and they were put to a great deal of trouble. In order to facilitate the work of assessment and the disposal of income tax cases, this Special Income-tax Officer was created, and I know that as a matter of fact he has been of great use in the administration of income-tax. (Hear, hear.) I, therefore, think that the pruning knife need not be applied to this case. There are other appointments in which it can be more effectively employed; but, speaking from a knowledge of Madras and the change which is going to be carried out there in separating income-tax cases from the ordinary executive work, I expect a great deal of improvement there. One of the causes which has helped the non-co-operation movement in my province is the way in which income-tax cases are disposed of, and I have had occasion to mention such cases in this Assembly. I therefore expect a great deal of improvement, and in the meanwhile I do not think that Madras is overburdened in this matter.

The motion was negatived.

Dr. Nand Lal: Sir, the amendment which I propose to move runs as follows :

‘That the demand of Rs. 4,92,000 under the sub-head ‘Punjab’ be reduced by Rs. 2,61,000.’

Sir, there is a very great increase in the Demand for the year 1922-23 as compared with the last year. I have been looking for the explanation in support of that increase, but I confess my inability that I could not find it in the printed Demand though I find general remarks given in the form of Explanation 2 that this increase is due to the new scheme which is introduced and which will gradually be introduced. The word ‘gradual’ is pregnant with very great alarm and fear; namely, the Demand which is now made is not considered to be enough; it is just probable that next year there may be even greater Demand. Therefore, it is proper that the question of this Demand should be scrutinised and examined with reference to its various aspects; and I shall confine my remarks to this specific item relating to the Punjab. Why so much increase? The only explanation which has been tendered in general form has already been adverted to by my humble self and I submit that that explanation is not sufficient. Why was this change brought about in this poor province (*viz.*, the Punjab)? Perhaps the answer which the Honourable Sir Malcolm Hailey will advance would be—‘because it is a Central subject and the alteration which has been suggested and recommended should be general, obtaining in the whole of British India, and therefore the Punjab is included’. That is the only conceivable explanation which can be asserted. In reply to that, my submission would be that there is no moral or real support for the change which has brought about this considerable increase in the Demand. So far as the Punjab is concerned—though I am subject to correction and Sir Malcolm Hailey will correct me if I am wrong—I believe one Commissioner and two Deputy Commissioners and a number of Collectors have been appointed, and they are asked to apply themselves exclusively to the collection of income-tax. The ground on which this scheme has been propounded and eventually accepted is that there may be some sort of promptitude and expedition in the way of collection. I may very respectfully point out to the Honourable Sir Malcolm Hailey that, so far as the question of collection is concerned, I mean to say, so far as the proposition relating to the arrears is concerned, this argument will not hold good in respect of the Punjab.

There are some arrears but not so much as are found in other provinces. But the question of arrears is not sufficient to throw so heavy an expenditure on the head of the tax-payer, who are already overburdened. I have already remarked that these two Deputy Commissioners, one Commissioner, and some Collectors, so far as my present information

goes, will remain busy for a period of four months. For eight months they will perhaps keep ruminating over what they have done or they may keep thinking of what they are going to do, or they may perhaps sometimes sleep in deep contemplation. But, so far as the hard work is concerned, so far as the real business is concerned, I am quite prepared to say before this House that they will not have enough to do in any case. Therefore, 8 months out of 12 months will practically be idled away. And at whose cost? At the cost of the pocket of the poor tax-payers. These Deputy Commissioners and Commissioner will go from one district to another and they will report that they have seen this village and that village, and that they have made this inquiry about this sahuakar or that, or about this contractor or that. They will write this diary and submit it to the Commissioner. I do not know to whom the Commissioner will submit his diaries. I very seriously suggest before this House that this is not the way in which the public money should be spent. These public servants will get idle. They should be called upon to work according to the remuneration which they get, and I am afraid that if this principle is not applied, then it will have to be admitted that the Government is not taking the best for the price which Government is paying. Therefore, economically, these alterations seem to be hardly sound and right. Therefore, I stand here to question their advisability and propriety. We may speak to our people, 'All right, pay because this is an exclusive Department. This is a separate Department. On account of the undue influence of the Executive, you will not easily promise or feel inclined to pay. Here you have got a separate Department—a separate Commissioner, and separate Deputy Commissioners and Collectors. They have nothing to do with the other affairs. You need not feel afraid of them. You will not be arrested if you speak to the Collector and say 'You are wrong in taxing me like this'.' In old days, the Deputy Commissioners were also Income-tax Collectors in charge of the Income-tax Departments of various districts, and if an intending assessee, who was called upon to pay, said, 'Sir, you are wrong', perhaps he may incur the displeasure of that Deputy Commissioner. That is the only redeeming feature or ground that can be advanced. Therefore, on that score, we can speak to our people perhaps with some justification and say, 'Look, you have been relieved of that scare or fear. Are you not prepared to pay for that? You will have a little more peace of mind. Now that there is a separate Department, you will not be coerced. You will not be troubled. Therefore, pay a little more for it.' The reply, Sir, which will be given by our people would be, 'No. We have not got desired peace of mind at all. We are not treated properly.' The millionaires, the big merchants, contractors, barristers and other people who pay a heavy income-tax would say: 'No, you are wrong altogether. You are not our proper representative. You do not study our case and our grievances. Our grievances are that, if we send our people with our accounts to be examined, the auditors, examiners and the subordinate clerks do not treat them properly. They think they cannot examine so many registers yet they call for all. They think that the merchants, contractors, and other businessmen have no value for their time. They should be polite, every public servant ought to be polite, because he has given a covenant to the Government that he will be polite. They won't listen to these virtues at all. It is a sin for a public servant of that type to be polite and to politely treat the assessee who are, as a matter of fact, the paying masters in the right spirit. If the servant or mukhtar or agent or the munib of the intending assessee is a straightforward man, then that will be considered a fault and he will be punished. Perhaps he may not be punished by the taxing officer. He may be punished by his own employer, the master, whose munib he is, because that master is sure to get displeased with him, saying 'You ought to have pocketed this insult. You ought not to have given this officer, or this auditor, or this head clerk, or this examiner, an answer like that, and that is why I am punished.' Naturally these auditors and examiners will speak to the Collectors, 'This munib, this agent, has done so and so,' and that Collector will assess at once without waiting any longer. This sort of treatment is meted out to the public, and, therefore, our people do tell us, 'Do not agree to give demands like that.' If the Government servants improved themselves, and really behaved like true public servants, certainly the people might say: 'We are quite prepared to make this sacrifice. Give us an undertaking that their treatment will be better than before and that the Government servants will be in a better mood than before and that our books will not be thrown away, kicked away as before'. But, if there is no change for the better at all, I have to hear the voice of the people and to request that my amendment may be accepted. Neither on the score of convenience nor on the ground of economy is this Demand, which has been asked for, acceptable, and, therefore, I submit that the reduction which I have proposed may be accepted. Unless and until the Honourable Sir Malcolm Hailey

gives us an undertaking that he will see that all sorts of grievances are removed, till that is done, I shall have to press this amendment for the acceptance of the House.

Mr. Darcy Lindsay : Sir, It is a little difficult to understand our position with regard to this Demand No. 2. My Honourable friend, Dr. Gour, has applied his axe and imposed a reduction of five per cent. throughout on the Demand. If this five per cent. to be in addition to the various reductions, such as are now proposed by my Honourable friend, Dr. Nand Lal, and Rs 27,50,000 standing in the name of my Honourable friend, Mr Pantulu, also another reduction of Rs. 15,00,000 standing in the name of Mr. Shahani,—is this five per cent. in addition or not? I had great hopes that, when the Gour guillotine had been applied, we were going to be saved a considerable amount of time and that there would have been a general withdrawal of all these further motions, but, if that is not to be, then I am afraid we shall be sitting until the middle of the year. Now, as regards my Honourable friend, Dr Nand Lal's complaint about the officers in Punjab being idle for 8 months in the year. I am glad he realises that, during that time of so-called idleness, they keep their eyes and ears open and are taking notes of the profits made by the different firms and individuals. I therefore cannot exactly follow him in his argument that they are idle. He also complains of the very high salaries which he thinks they are paid. Would Dr. Nand Lal prefer that they should be paid on a percentage basis? I recommend that suggestion to my Honourable friend, the Finance Member, if this House grumbles at heavy expenditure on the Income-tax Department. The Income-tax Department has been referred to as a great source of revenue to Government, as it undoubtedly is. Let that revenue be obtained on a commission basis and then this House need not trouble their head about over-paid officers or over-staffed offices. Each lucky individual who obtains a permit to recover income-tax on a commission basis will organise his own office and pay for it out of the commission. I commend this view to my Honourable friend, the Finance Member.

The motion was negatived.

Mr. J. Ramayya Pantulu : I move, Sir :

'That the demand under the head 'Taxes on Income' be reduced by Rs. 19,24,000.'

Since sending up my original motion for a reduction by Rs. 27,50,000, I have made a more careful calculation of the amount that I should propose for reduction and have arrived at this modest figure. If the Honourable Members will turn to page 14 of the 'Demands for Grants' book, they will find that in the amount of expenditure provided in the Budget for the next year, the amount shown over and above that of the current year is due to the establishment which is to be entertained for the new Income-tax Department. My calculation shows that, after making a deduction of the amount shown under the non-votable items, the net increase under votable item comes to Rs. 19,24,000. My ground for proposing the reduction of this amount is that the entertainment of the new establishment is not at all a matter of urgency now. A good deal of what I have to say on this subject has been already anticipated by previous speakers. But I wish to say one or two things. As Honourable Members are aware, hitherto the income-tax work has been all done, and even now it is to a great extent being done, by what is called the land revenue establishments. The new Income-tax Act makes provision for the entertainment of a separate Income-tax Department, on the ground that income-tax is now an item of Central revenue while the Land Revenue Department belongs to the provinces.

I remember, Sir, how this provision of the Act was hailed when the Income-tax Bill was introduced into this Council during the Simla Session. If I remember correctly, the idea then was, in certain parts of the Assembly, that, after all, there is relief from the exactions, from the iniquities of the Land Revenue Department which has been oppressing the people in one way or another, and it was thought, Sir, that the new Income-tax establishment would effect a great relief to the people. It seems to me, Sir, that the Land Revenue Department has no special claim for being oppressive; whatever unpopularity it has gained, it has gained on account of the duties which it has had to perform in the way of tax-gathering. Tax-gathering has never been a popular function, and I am not sure, Sir, that the new income-tax gatherer is going to be, after all, such an angel as some people expect him to be. I quite admit, Sir, that, now that income-tax is an item of Central revenue, it will be necessary for the Government of India to make a special provision for the assessment and collection of income-tax on its own account. But what I submit is that, seeing that our finances are now in a very crippled state, we might perhaps go on for

a little time longer, *i.e.*, until our finances show some improvement, with the existing arrangements which will at once save us lots of money, several lakhs of rupees if not the whole sum of Rs. 19,24,000. Some of the Commercial Members here have pointed out that the entertainment of a special establishment for income-tax has resulted in enhanced assessments. But that is so because the new Department which is proposed is not very likely to be the great friend of the people as some people expect it to be. But whatever that may be, there may be, Sir, very good reasons for having a special establishment immediately in big commercial cities like Bombay, Calcutta, Karachi or even in Madras, but I think, so far as the Mofussil is concerned, the present provincial Land Revenue establishments can be trusted to do the work quite as efficiently as the new establishment. I have some experience, Sir, of the way in which this income-tax work is being done in the Mofussil, and I do not think that anyone can contend that the Land Revenue officers do not do their best to increase the income tax revenue of Government. With them, it is not always a case of what is the proper tax to be imposed on a particular individual. It is often a case of how much he can pay, and more often it is a case of how much is expected from a Taluk or Division, and then distributing it amongst the different assesseees with as much justice as one can well command.

I have myself been an Income-tax Officer. Of course, I have never myself been guilty of that iniquitous way of making assessments; and I am sure that my Honourable friend, Mr. Bryant, has never done it either. But I am not sure that it has not been adopted sometimes. I once had the misfortune of succeeding a very jealous income-tax officer in a revenue division in the Guntur District which has recently come into some prominence. In that division there is a taluk called the Palnad taluk, which is at present giving Government so much trouble in the matter of collecting taxes. That taluk is noted for cotton cultivation: almost every ryot cultivates cotton; and that predecessor of mine, Sir, assessed, every ryot to income-tax on account of income from cotton trade. He supported these assessments by notes made in the confidential note-book to the effect—‘I have inspected the house of this assessee. I found several bales of cotton, both raw and cleaned.’ Of course, the notes were quite correct, but the cotton was agricultural produce and was not liable to tax. I want to ask the Honourable the Finance Member whether his new income-tax officers can improve upon that. That being the case, Sir, I think that, whatever may be the case in regard to big commercial centres, we might wait until our finances improve to entertain a special establishment for the Mofussil. We can manage at present with the existing Land Revenue establishments. I am aware that the Land Revenue establishments belong to the provinces; but, as in the case of the Salt Department, we might make a contribution towards the salaries of these Land Revenue establishments. This will save us a good deal of money and it will at the same time put something into the pockets of the Provincial Governments who will be thankful for these contributions in their present straightened circumstances. I am willing that Dr. Gour’s five per cent. reduction may be included in the reduction which I propose.

The motion was negatived.

Mr. S. C. Shahani : Sir, I beg to move :

‘That the demand under the head ‘Taxes on Income’ be reduced by Rs. 15,00,000.’

My object in going on with this amendment is to point to some of the facts relating to the taxes on income, which, according to me, are worthy of some consideration. I have noticed the scale for the new staff which is given on page 14 of the Detailed Estimates, and I feel called upon to say that the scale is comparatively reasonable. It was said by those occupying the Government Benches, when the Demand for Customs was under consideration, that it was not possible to reduce the scale there. I am glad that now the Honourable the Finance Member has come forward himself to propose a scale which is in keeping with my suggestion. I think that the scale should be further reduced. It should be possible to have a very good Commissioner on a salary of Rs. 1,500, rising by annual increments of Rs. 100, to Rs. 2,000. It is my firm conviction that there would be no difficulty in getting Assistant Commissioners on a salary of Rs. 800 rising to Rs. 1,200. The second item to which I wish to draw attention is the Personal Assistant to the Head Commissioner drawing Rs. 300 to Rs. 900 and costing Rs. 6,800 per year. I think by this provision we only indispose the Commissioners and Head Commissioners to do their duty. I have noticed the provision of Personal Assistants in the case of Collectors, and I feel that the work which ought to devolve on the Collectors is unduly shifted on to the shoulders of the Personal Assistants. There is one other point to which I would here draw attention, and that is the allowance to the Deputy Collector, Madras, on page 8, amounting to Rs. 2,400 per year. If

Deputy Collectors are required to do duty in connection with the collection of income-tax, I really do not understand why an extra allowance should be given to them. It appears to me that, in respect of items such as these, more exacting control should be exercised over the expenditure, which shows a tendency in every Department to rise high. My Honourable friend, Mr. Hussanally, has alluded to two Commissioners being provided for Bombay. I think he is not right. It is not two, but three. If he looks at page 10, he will find that, under Mofussil Charges, there is a provision made for one Commissioner of Income-tax drawing a salary of Rs. 2,000 rising by annual increments of Rs. 100 to Rs. 2,500. I think that is the appointment which has been intended for the province of Sind. My Honourable friend has pointed out that this Commissioner of Income-tax has not enough work to occupy him. He referred to what appeared in the local papers which said that for several months he never went to his office, and if at all he went to his office, it was after dusk, a circumstance which should certainly be taken into account. If really there is no work for him, then he need not be continued. On the other hand, I would draw the attention of the authorities to Rs. 200 being the maximum for inspectors, assessors and examiners and other executive subordinates, which appears to me to be very unfair. The work that is done by inspectors, assessors and examiners is a responsible one, and an income of Rs. 200 will not be rightly calculated to suffice for one's needs in these days of very high prices. I would also draw the attention of the authorities to the house-rent that is provided here to the extent of Rs. 7,493. I think this house-rent would be inadequate and on that account it needs to be revised.

I find that my Honourable friend, Mr. Jamnadas Dwarkadas, has also given notice of a similar reduction, *viz.*, Rs. 15 lakhs. But I found that he voted against the 5 per cent. reduction that was proposed by Dr. Gour. (Laughter.) I take it that he sticks then to his reduction of Rs. 15 lakhs, and I leave him to do that task for myself. As for myself I feel disposed now to withdraw my motion. I have every reason to be content with what has been done in the case of the motion that was brought forward before the House by Dr. Gour.

Mr. President : Is the Honourable Member not moving his motion ?

Mr. S. C. Shahani : I withdraw my motion.

Mr. President : It is an extremely improper practice to move a motion and make a speech and then withdraw it ?

Mr. S. C. Shahani : For what reason I do not know.

Mr. President : The Honourable Member does not see the reason. It would deprive the Government Member of the right of reply if I allowed him to do it.

The Honourable Sir Malcolm Hailey : Sir, your ruling, if I may be allowed to say so, anticipated an objection that I was about to bring myself. I must say that it seems to me very unfair to us on the Government Benches that the Honourable Member should make a long speech referring to certain payments that we intend to make, and then by withdrawing deprive us of the opportunity of explaining to the House the reasons for which we have entered them. In the circumstances, however, I do not propose to offer any explanation to the House of the particular item referred to.

The motion was, by leave of the Assembly, withdrawn.

Bhai Man Singh : I beg to move :

‘ That the total demand be further reduced by Rs. 51,000. ’

I wish to refer to the high expenditure in the Central Provinces. The total revenue from the Central Provinces is about 40 lakhs and from the Bihar and Orissa Government about 32 lakhs ; but, if we compare the pay of the highest officials that are demanded, it is very different. The Commissioner of Income-tax in the Central Provinces is to draw Rs. 2,750 and there are two Deputy Commissioners who are to draw Rs. 1,500 a month. If we compare this with Bihar and Orissa, we have got only one Deputy Commissioner there on Rs. 1,500. Surely the collection of income-tax of only 8 lakhs per month should not cost so much more in the Central Provinces, unless it be due to some special circumstances in the Central Provinces which are different from Bihar and Orissa, of which I might be ignorant. But, looking at the circumstances, I don't find why there should be such a vast difference. There is only one Deputy Commissioner in Bihar and Orissa drawing from Rs. 1,000 to Rs. 1,500. Why should we not have an official in the Central Provinces drawing Rs. 1,000 to Rs. 1,500 as Commissioner of Income-tax, and another official drawing a lesser pay, working as Deputy Commissioner ? Why should we not only increase the number of Collectors and have only a Deputy Commissioner as we have got in Bihar and Orissa ? Similarly, we

don't find such a heavy charge for the collection of income-tax in Bihar and, if we compare the total of the two provinces, it is in the case of the Central Provinces Rs. 3,24,000, while in the case of Bihar and Orissa it is Rs. 1,82,000. This is about double the amount. Similarly, if we compare it with the United Provinces, the revenues of which are not also very high, they do not compare so favourably. I, therefore, wish to draw the attention of Government that they should see their way, especially in the case of the Central Provinces, to reduce this heavy expenditure and satisfy the House why there should be such a vast difference in the administration of the different provinces, whose revenues bear only a ratio of 34 and 40.

The Honourable Sir Malcolm Hailey : Sir, the reason why there is so marked a difference between the establishment of the Central Provinces and that of Bihar and Orissa is simply this. We have to consult Local Governments, their convenience and so forth, in introducing these establishments. Certain Local Governments desire to proceed rather more rapidly. Others, owing to the condition of their province, for various reasons desire that the introduction of the full Reform should be somewhat delayed. The Central Provinces is a type of province that has been desirous of moving more rapidly; Bihar and Orissa is a type of province that has desired that we should move more slowly. You will notice that Bihar and Orissa will start without a Commissioner and with one Deputy Commissioner and with ten Superintendents only. The full establishment, of course, when worked up to would be as costly as, if not more costly than, in the Central Provinces.

Mr. K. B. L. Agnihotri (Central Provinces Hindi Divisions : Non-Muhammadian) : Sir, I rise to support the amendment moved by Honourable Bhai Man Singh. The Honourable Sir Malcolm Hailey in justification of the expenditure in Central Provinces has pointed out that the Local Government has been consulted and they—the Local Government—are in favour of proceeding rapidly in the organisation of the Income-tax Department in that province. Sir, I come from that province and I believe I know the conditions of that province as well as probably the Local Government. The scheme has been in work in my province for about two years and so far the Deputy Commissioners have not been appointed. The Commissioner of Income-tax, whose pay has been put at Rs. 2,000 to Rs. 2,500, has got other work to do besides Income-tax. He is also in charge of the Registration of the whole province. He is also in charge of the Department of the Joint Stock Companies in that province.

The Honourable Sir Malcolm Hailey : No, that is not the case.

Mr. K. B. L. Agnihotri : That was the information given to me. I may be wrong. But I believe that he is in charge of the Registration Department at any rate of the whole province. It will thus appear that the Income-tax work is not heavy and commensurate with the pay of the post fixed. Taking for granted that he is not in charge of any other department, even then, why should the pay of Commissioner in my province—where the collection of revenue is budgeted at 40 lakhs only—be fixed at Rs. 2,000 to Rs. 2,500? Why could not this work be done by a Provincial Service man getting Rs. 1,000 or Rs. 1,500? My province has got only 22 districts and has only 9 civil districts. 13 Collectors for Income-tax will not be necessary in my province and the work could efficiently be done by 9—say 11 men. The two Deputy Commissioners whose pay comes to about Rs. 24,000 may also be done away with, especially in this year of financial stringency. These posts have not been needed so far, and I fail to understand the necessity of the creation of these two posts of Deputy Commissioners particularly this year. The appeals from the orders of the Collectors could be heard by the Commissioner. If it is found that an intermediate Appellate Court is necessary, then two senior Collectors out of the 13 proposed Collectors could be utilised in place of Deputy Commissioners at least for two years and even more. When better times come and if it then be found necessary, the two Deputy Commissioners may then be appointed, but not necessarily at present. Further, Sir, the commission for collection of income-tax for my province has been budgeted at Rs. 39,500. In the detailed estimates I do not come across any other province which is giving such a high amount of the commission charges as is the case with my province. I do not understand the necessity of this amount of Rs. 39,500, in the face of the high provision made for additional Collectors and therefore I heartily support the amendment of my friend, Bhai Man Singh. I submit, Sir, that over and above the 5 per cent. reduction that has already been voted by the House, this amount can further be reduced from this head of the Demand. My province alone can bear further reduction under this head to the extent of at least Rs. 30,000 to Rs. 40,000 this year. I, therefore, support the motion to further reduce the total demand by Rs. 51,000 as moved by my Honourable friend, Bhai Man Singh.

Chaudhri Shahab-ud-din (East Central Punjab Muhammadan) Sir, I am in a state of indecision as to whether I should support this motion or oppose it. There are one or two points which, in my opinion, require to be cleared up by the Honourable the Finance Member. As the Department of Income-tax is going to be Imperialised, one would naturally expect uniformity and unification in the whole Department. I find, however, that in certain provinces the Collectors of Income-tax will draw Rs 1,000 or Rs. 900, in certain provinces the Deputy Collectors will draw Rs 1,500 to Rs. 2,000; in others they will draw less. I, for one, am unable to see why an Assistant Collector in Madras should, as indicated on page 14 of the blue book draw Rs 1,000 rising to Rs 1,500, while a Collector in the Punjab should draw only up to Rs 1,000. This discrepancy to my mind requires an explanation and I hope the Honourable the Finance Member will very kindly vouchsafe it.

There is another doubt in my mind which requires to be cleared up. Referring to the figures on pages 296 and 297, I find that the estimated income from the Punjab under the head of 'Taxes on Income' is 66 lakhs and a half, while last year it was only 64 lakhs, that is, the estimated increase in income is only about 2½ lakhs. A reference to page 11 will show that the expenditure last year was only Rs 2,31,000, while the estimated expenditure for the next year is Rs. 4,92,000. That is, there is an increase of Rs 2,61,000. It surely requires an explanation why a province, the estimated increase in the income of which is only 2½ lakhs, should have an increase in expenditure even exceeding the income, namely, Rs 2,61,000. I hope the Honourable the Finance Member will allay my doubt, as also the doubts of some Members of the House, on this point and thus enable us to form opinion as to whether we should support or oppose the motion of Bhai Man Singh.

Mr. Pyari Lal Misra (Central Provinces Hindi Divisions Non-Muhammadan) Sir, speaking on behalf of the Central Provinces, I am generally in accord with my Honourable friend, Mr. Agnihotri. The Central Provinces, you will find, is very poor and I am simply surprised that two Deputy Commissioners on Rs 1,000 rising to Rs 1,500 have been provided in the Budget. We do not require these two Deputy Commissioners. Then, 13 Collectors have been provided in the Budget. That number too appears to be very large in my opinion. Some of these Collectors have been recruited afresh, while others are from the ranks of Extra Commissioners. Some of these Collectors are in charge of two or three districts and I, therefore, do not see any necessity for providing 13 Collectors for a small province like the Central Provinces. Therefore, I generally support the amendment moved by Bhai Man Singh.

I have also to correct one mistake which my Honourable friend, Mr. Agnihotri, made, and that is with regard to the Commissioner himself. Now, the Commissioner is altogether a separate official who is solely in charge of this Income-tax Department. Formerly, the office of Commissioner of Income-tax was combined with that of the Inspector General of Registration. But the Commissioner now is altogether a separate officer.

But, even then, the pay which he gets really seems too high. This gentleman, however, whom we know very well, is an old official from Berar and a very experienced man, too, so I do not grudge that pay to him.

I want an explanation with regard to this item of 'Other Contingencies' which seems rather heavy—Rs 26,500. 'Other Contingencies' is rather vague, and I shall be obliged if the Honourable the Finance Member will throw some light on this item.

Similarly, on page 11, Rs. 75,000 has been provided for Contingencies in the United Provinces but no details are given. I shall be very much obliged if he will also throw light on this item.

The Honourable Sir Malcolm Hailey: Sir, taking first the general questions that have been asked me, I may say that the rate of pay that we propose in the new Department, or I should more properly say the reconstituted Department, will be universal throughout India. Chaudhri Shahab-ud-Din found certain difficulties at present owing to the fact that Deputy Commissioners are referred to in the Central Provinces and so on.

(At this stage Mr. Deputy President took the Chair)

Now the form of the Department that we propose, and the scales of pay that we propose, will be those that are entered on page 14, that is to say, we shall have a Commissioner, Assistant Commissioners, and Income-tax Officers, and the only difference that will be made in regard to rates of pay is that in the Presidency towns there will be Deputy Commissioners on a somewhat higher scale of pay, in view of the far greater responsibility in those areas,—responsibility which, of course, arises from the necessity of dealing with Companies with large and complicated accounts and with the assessment of big assesses. That explanation, I hope, will satisfy the Honourable Member in regard to this particular point. At present, we have certain

officers holding posts in the Department on a somewhat higher rate of pay because they have been engaged in the past by Provinces themselves and we must wait until the term of their office lapses or until they arrive at some stage in their career when their rate of pay will fit them for absorption in the new Department.

The Honourable Member asked why, in the case of the Punjab, we are prepared to undertake so considerable an amount of extra expenditure on the Department, in view of the fact that we do not expect a very high increase in the coming year in the return of income-tax. Now, of course, all improvement of income-tax assessment, just like all other assessment work, is a growing and continuous process. You cannot expect to see in one year the full result of the increased expenditure laid down in the previous twelve months; it takes some time to train a staff and get it to work; you have got gradually to work up your results, as we have done in many cases already. I can remember the case of Rangoon, where in the course of 3 years following the initiation of considerably improved establishments we increased our receipts by 36 lakhs. So if my Honourable friend is disappointed because we do not expect next year an immediate heavy return on the expenditure we are putting down, this, I may point out, is a very natural process.

With regard to the Central Provinces, the Commissioner has, of course, now no other work to do. The Local Government formerly employed him on a variety of other work, but that has been taken away from him and he is doing only income-tax work, as should be the case. As regards the two Deputy Commissioners provided, the Local Government has asked us to relieve the District Officers of the work and appoint Income-tax Officers in their place; we propose to do so and have made provision for it. I do not think suitable men have yet been found; but there is no doubt that the Local Government were of the opinion that there was sufficient and ample work for these two men to do. As regards the figure of commission presented to the Central Provinces, that, of course, is a figure over which we have no control. You will find it reproduced in form of Contingencies in other demands. The commission for collection of income-tax is a statutory figure, and if the figure provided by rules does not rise to the amount provided for in the Budget, we shall of course save that amount.

I hope, Sir, that is a sufficient explanation of the points that have been raised by my Honourable friends; and now what are they going to do with this motion? They have already cut 5 per cent. by a small majority of this House off the total Budget. Do they desire to go and cut another half a lakh off it? That is the whole point of it. Do they think that the grounds which have been alleged in regard to the Central Provinces are sufficient to warrant their taking that further step? I think, Sir, not.

The motion was negatived.

Mr. Deputy President: The question is.

‘That a reduced sum not exceeding Rs. 42,56,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘Taxes on Income’.’

The motion was adopted.

SALT.

Mr. A. C. Chatterjee: Sir, I move:

‘That a sum not exceeding Rs. 1,34,61,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, on account of ‘Salt’.’

(Cries of ‘Adjourn.’)

Chaudhri Shahab-ud-Din: Sir, a request has been made, I think, by almost a majority of Members that the House be now adjourned. The next item is an important one and we cannot take it up now. I request you will at least be pleased to take the sense of the House on this point. We cannot go on till 7 or 8.

Rao Bahadur T. Rangachariar: I formally move:

‘That the consideration of this Demand be adjourned till to-morrow.’

Mr. Deputy President: It is entirely in the discretion of the Chair whether to grant the motion for adjournment or not.

Rao Bahadur T. Rangachariar: I beg your pardon, Sir. My motion is this:

‘That the consideration of this Demand be adjourned till to-morrow.’

That is my motion. I do not know if you will rule it out of order. I am entitled to move it.

The motion was adopted.

**PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY ASSEMBLED
UNDER THE PROVISIONS OF THE GOVERNMENT OF
INDIA ACT.**

Wednesday, 15th March, 1922

The Assembly met in the Assembly Chamber at Eleven of the Clock.
Mr. President was in the Chair.

THE BUDGET—LIST OF DEMANDS —*contd.*

SALT--contd

Mr. M. G. Mukundaraja Ayyangar (Madura and Ramnad *annam* Tinnevely : Non-Muhammadian Rural) : Sir, I beg to move.

‘That the provision of Rs 10,000 ‘payable to other individuals’ under head ‘Madras be reduced by Rs. 100.’

If Honourable Members will turn to page 17 of the big Blue Book, they will see an item ‘payable to other individuals Rs. 10,000’. It does not give any information or any details : it is very vague. In the two previous items details are given, namely, Rs. 4,40,000 payable to the French Government and Rs. 38,000 payable to the Pudukkottai State. Probably no information and no details are given because Government thought it was a small sum of only Rs. 10,000, but, whether a Demand is small or big, it is only fair to this House that it should be furnished with full information and details as to why the Demand is made. This House, I submit, is entitled to ask the Government to furnish it with details necessary in connection with any item before it is called upon to vote on that particular item. I call for information from the Government by means of my motion as to what class of persons is meant under the term ‘other individuals’ in this item.

Mr. A. C. Chatterjee (Industries Secretary) . Sir, as Honourable Members will see, this item is under the major head ‘Assignments and Compensations’. When the Government of India acquired the monopoly of the manufacture of salt in Madras Presidency, as elsewhere, they had to give compensation to people who had vested rights, and this compensation is prescribed under sections 16 and 18 of the Madras Salt Act, 1889. This item has been included in the Budget for many years past. The Honourable Member has said that specific mention is made of the payments to the French Government and to the State of Pudukkottai. That is true; they are also non-votable items. In the case of payments to other individuals, it was not possible to give the names of a large string of individuals to whom these payments have been made under the Act. I presume that this item relates entirely to such compensations. As the item had been in the Budget for many years, in view of the fact that the Madras Government are the agents of the Central Government in this matter, no special scrutiny was made. The item has also been passed by the Auditor General for many years; but I have inquired from the Madras Government for particulars by wire, and as soon as I receive them, I shall supply them to the Honourable Member.

Mr. M. G. Mukundaraja Ayyangar : On the assurance given by the Honourable Mr. Chatterjee, I beg to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn

Mr. S. C. Shahani (Sind Jagirdars and Zamindars : Landholders) : Sir, I beg to move :

‘That the demand under the head Salt be reduced by Rs. 20,00,000.’

From page 15 it will be seen that the revised estimates of expenditure for 1921-22 amount to Rs. 1,58,40,000. I wish to point out that this is a very heavy increase of expenditure. I find that in the year 1919-20 the income was 5.7 crores, and that the expenditure amounted to 81 lakhs; and I find that in 1921-22, the income is estimated at 6.41 crores, and then out of this estimated income Rs. 1,58,40,000 are spent on the administration of this Department. As I said, this is a very heavy expenditure and on that account it ought to be curtailed.

My next point is once again the salaries. The scale of salaries ought to be revised.

The third point that I would make is the abolition of the Personal Assistant to the Commissioner of Salt, and the fourth that the travelling allowances, which have increased from Rs. 1,45,280 to Rs. 1,91,170, should be reduced. In this year of financial stringency, I further propose that the construction of quarters for officers, etc., be not taken in hand. Then total cost is to be Rs. 98,750 *plus* Rs. 96,100.

The Honourable Mr. C. A. Innes (Commerce and Industries Member): Sir, I am afraid that I must oppose, as strongly as I can, the motion for the reduction of this Demand by 20 lakhs of rupees. Yesterday it was my misfortune to oppose a reduction in the Customs Demand, and I am afraid the House conceived the idea that I was opposed to retrenchment. I should like to assure the House that that is not the case at all. But I am responsible to this House for the administration of Customs and of Salt, and, if I cannot conscientiously recommend to the House that they should make reductions in revenue-earning Departments of this magnitude, I think the House will see that it is my duty to say so.

Now, Sir, Mr. Shahani has proposed that this Demand be reduced by 20 lakhs. I must take the same line as I took yesterday, and ask the House to tell me where I can find that 20 lakhs. Let me analyse for the House this year's Salt Budget. I find that out of the Salt expenditure, 39 lakhs go in assignments under treaties to various Indian States. Forty-five lakhs go to the Governments of Madras and Bombay on account of the establishments maintained in those Provinces for managing the Salt revenue for us. Those establishments are mixed up with the Excise establishments. The rates of pay are fixed in accordance with the local conditions, and though we are consulted, naturally we are guided by the advice of the responsible Local Governments. It is true of course that we might take over the administration of the Salt Department ourselves, but no one in this House can say whether it will pay us to do so. It is very doubtful.

Then, again, Sir, there is an item of 56 lakhs, on account of supplies and services, 31 lakhs in India, 12 in Madras and 13 in Bombay. That expenditure is mainly on excavating and making salt. It would be apparently simple for me to cut down the provision made for the manufacture of salt and excavation charges; but what would be the result? The cost of salt is very small. The duty on it is heavy. The only result of my cutting down the provision for excavation charges would be that we shall have less salt; that is to say, we shall get less revenue; that is to say, this reduction, though it would appear as a reduction on our expenditure side, would mean a very much larger reduction, on our receipts side. I think the House will agree that that would not be retrenchment. Then, again, we have an item of Rs. 15,85,000 for Improvements. That provision would not have been made in the Budget at all had we not been able to satisfy the Finance Department that the expenditure would be directly remunerative. We hope by the works that we are carrying out at Sambhar and Khewra greatly to increase the supply of salt. The advantages will be two. In the first place, there will be much more salt available for consumers. Our present agency system will be discontinued and the price of salt to the consumer will go down. In the second place, we shall get a direct return in salt revenue.

Mr. Shahani has referred to the provision of Rs. 98,000 for the construction of quarters at Sambhar. Well, Sir, Sambhar is a very hot place. Life is very unpleasant there in the hot weather, and I think that this House will agree that the people, labourers, officers and others, who make our salt at Sambhar should be properly housed. I should explain that by far the greater part of this provision is for houses for the lower class of our subordinates. As far as I remember, only one bungalow has been provided for officers.

Well, Sir, I have shown how this provision will be spent. I have accounted now for 159 lakhs of rupees. There is a balance of 15 lakhs for the pay of our officers, our preventive staff and for their various travelling allowances. These 20 lakhs which Mr. Shahani wishes us to reduce must be met from this margin of 15 lakhs. How can it be done? I think the House will agree that this large reduction is quite impossible.

Mr. N. M. Joshi (Nominated Labour Interests): Sir, I want some information from the Honourable Member concerning the working of this Department. In the first place, I should like to know from the Honourable Member, salt worth how much is produced by this Department in the Northern India Salt Works? We are spending on those salt works 52 lakhs of rupees a year. I should like to know the quantity of salt that is produced there every year and its price, so that the House may know whether the Department is working at sufficient profit or not.

Secondly, I should like to have one more piece of information. In the statement of revenue, last year's revenue was estimated to be Rs 6,41,00,000, and the next year's revenue is estimated to be Rs. 11,36,00,000. Although we have doubled the tax, the revenue does not seem to have doubled. There is some explanation. There are some arrears of Salt. But as we are spending 16 lakhs more, I should like to know by what amount the revenue will also be increased on account of the increased expenditure.

Mr. A. C. Chatterjee: Sir, Mr. Joshi has asked what quantity of salt is manufactured in Northern India. It is difficult to give exact figures, because it depends very much on natural causes. For instance, when we get a very good monsoon

Mr. N. M. Joshi: Is it a gamble?

Mr. A. C. Chatterjee: It is a gamble in the monsoon, certainly. That is what we are trying to prevent by having improvements which will make us independent of this gamble. When we have a good monsoon we may produce in Sambhar and from the other Rajputana sources anything up to 80 lakhs of maunds. If we do not have a good monsoon as happened in 1911, we produced in that year in Sambhar only 17 lakhs of maunds. It entirely depends on the monsoon. We must realise that the methods of excavation and working of the Sambhar Salt Lakes have not been changed since the days of the builder of the Kutub Minar. It is therefore our intention to make ourselves independent of the natural causes, and that is why we propose to spend this money.

A certain amount of money has already been spent, and as a result, although the monsoon last season was as deficient as it was in 1911, we were able to get about 40 lakhs of maunds of salt, which has meant an increase of revenue of about 40 lakhs over what would have been obtained had we got the same supply as in 1911.

Mr. N. M. Joshi: What is the price of 80 lakhs of maunds?

Mr. A. C. Chatterjee: I was coming to that, Sir. The average expenditure per maund of salt produced in Sambhar is just under 3 annas and in Didwana it is 2 annas 3 pies. In Pachbadra 2 annas 3·8 pies. This is realised when the salt is sold to dealers. It is quite different from the duty, of course. The price of excavation in Khewra is higher because there we have to do mining. The price of excavation in Khewra works out to 3 annas 3·32 pies per maund.

Mr. N. M. Samarth (Bombay : Nominated Non-Official) : In Bombay?

Mr. A. C. Chatterjee: I have not got the Bombay figures here but the cost is about the same, about 4 annas, I think, per maund, and, of course, as the Honourable Member is aware in Bombay the source is the sea salt which is manufactured in many places. In certain areas it is not exactly sea salt. It is salt which is obtained from the sea coming into shallow parts and receding again. In Madras also the cost works out to very much the same figure. The Honourable gentleman has asked about the revenue estimate. I confess I am not familiar with the revenue estimates. Perhaps my Honourable friend, Mr. Aiyar, will be able to enlighten Mr. Joshi on that point.

Mr. W. M. Hussanally (Sind : Muhammadan Rural) : I listened with attention to the Honourable the Commerce Member, but I must say that I was not satisfied with the explanation he gave for two large items that Mr. Shahani wants to cut out, namely, Rs. 98,000 for new houses and Rs. 96,000 for repairs and so on. In regard to the first item he said that new quarters are required for housing the gentlemen in charge of these works. (*A Voice:* 'They are for labourers.') Whatever it be, I think they must have got some kind of quarters to live in at the present moment. Why is this large item suddenly demanded in a year of financial stringency? Would it not be better to postpone these for another year until our finances improve? For my part I think that these two items, at any rate, can be postponed for a year. The officers and others working in these salt works could be housed as far as possible for another year in their present houses. Then, Sir, there is another point, and that is, the duty going to be enhanced. (*A Voice:* 'Proposed to be enhanced.') I see a footnote here which says that the money is to be spent on providing new quarters. It does not necessarily mean that there are no quarters at the present moment. They have got some quarters. They can live in these houses for another year. That is my point and, since the duty is going to be enhanced, I think the consumption would naturally fall and, therefore, production will also be reduced in proportion. That will also reduce the cost of production to a certain extent. I think that Mr. Shahani is quite justified in asking for this reduction.

The Honourable Sir Malcolm Hailey (Finance Member) : Sir, Mr. Joshi asked a question about the revenue estimates. I would refer him to paragraph 17 on page 299 of the Demands for Grants. If the figures are not adequately explained there, I should be glad to give him any further information he wants, I should like to inform the House, in regard to the particular point raised, that I have settled with the Auditor General that we should prepare, if possible, a proper capital and revenue account for our Salt Department. That will be placed in the hands of Members and will show exactly the relation between the cost of production and the price at which we sell our salt.

Mr. President: The question is :

‘That the demand under the head ‘Salt’ be reduced by Rs. 20,00,000.’

The motion was negatived.

Rao Bahadur T. Rangachariar (Madras City. Non-Muhammadan Urban) . I merely formally move my motion for reduction on the 5 per cent. basis of the total expenditure, but after listening to the Honourable the Commerce Member’s explanation, the real expenditure on establishment comes only to 16 lakhs. Therefore, I am willing, if you will permit me, to accept the motion of which my friend, Sir Vithaldas Thackersey, has given notice

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadan Urban) : I had intended to move for a reduction of 5 lakhs, but after listening to my Honourable friend, I also am willing to accept the motion which is to be moved by my Honourable friend Sir Vithaldas Thackersey.

Dr. Nand Lal (West Punjab. Non-Muhammadan) : Since a motion is to be moved on behalf of the Democratic party, in the interest of that, I withdraw my motion.

Sir Vithaldas D. Thackersey (Bombay Millowners’ Association : Indian Commerce) : I beg to move :

‘That the demand under the head ‘Salt’ be reduced by Rs. 1,71,450.’

The reasons are quite clear. As explained by the Honourable Member in charge of the Department, most of the expenditure is on service and therefore it cannot be touched. I hope, following the policy of general retrenchment, the Honourable Member will endeavour to reduce the expenditure to the small extent of Rs. 1,71,000. My remarks made in regard to my previous motion apply for reduction in this demand.

The Honourable Mr. C. A. Innes : Sir, I recognise the consideration with which the House has dealt with me in this matter of reducing this Demand by Rs. 1,71,450. At the same time, I am afraid that I am in the same difficulty as I have been all along. I do not see where the money is to come from. It is perfectly true that we might cut out this provision of Rs. 98,000 for quarters, but I should be very reluctant to do that. The whole case of these quarters has been most carefully examined by the Standing Finance Committee quite recently. They knew that the financial position was bad and yet we were able to make out a case for these subordinates, which they recognised was unanswerable.

Rao Bahadur T. Rangachariar : We were not aware of the extent of the deficit.

The Honourable Mr. C. A. Innes : The Standing Finance Committee knew that the financial position was bad. They knew it was a year in which every possible economy was necessary and they decided that economy in this matter was not right and I hold to that opinion. The climate at Sambhar and at Khewra is very trying. We require very large labour forces there. We have got to attract labour to that place and it is a mere business proposition that if we want the labour which we must have and if we want to get the revenue, we must deal with them properly in the matter of house accommodation. I think that everybody in this House will recognise that. As regards the motion for reduction, I am entirely in the hands of the House. I am prepared to make every possible endeavour for economy, but I cannot commit myself on the figures I have given to the House, to any particular figure at the present time, and I am afraid I must leave it at that.

Sir Montagu Webb (Bombay. European) : May I ask if the Honourable Members of the Finance Committee have ever been to Sambhar in the hot weather ?

Rao Bahadur T. Rangachariar: May I ask if the Honourable Member has been to Madras, the village parts in Madras?

Sir Montagu Webb: I would much prefer to be in Madras.

Mr. N. M. Samarth (Bombay Nominated Non-Official) : Sir, I beg to support the motion of Sir Vithaldas Thackersey; and I wish to draw the attention of the Honourable Member in charge of this Department to the fact that in the Budget non-voted expenditure, as compared with the revised estimates of 1921-22, has increased by Rs. 2,18,000. I do not know on what principle these non-voted items are swelling from year to year. As a matter of fact, I take it, even under the construction which the Law Officers of the Crown have been reported to place upon our demand that the non-votable expenditure should be made votable, even under that construction there is no need, there is no justification, for including in non-voted items posts which have been newly created. All that the section says is that certain salaries of certain persons appointed by the Secretary of State or under his orders are non-votable. Is it a fact that all this Rs. 2,18,000 belongs to that description? I doubt it,—I doubt it, Sir,—and I consequently maintain that items have been included in the non-votable column which should not have been included in that column at all. These are matters in which we have no voice. You are going to increase all these non-voted items of Rs. 2 lakhs and odd, and surely we are entitled to say ‘You are bound to reduce that expenditure to the tune, at any rate to the modest tune of Rs. 1,71,150.’

The Honourable Mr. C. A. Innes: May I point out that the rise in non-voted expenditure occurs under assignments and compensations on page 16, the explanation being that 10 and 20 per cent. of the cost price of salt manufactured in excess of a certain limit is payable, respectively, to the Jai-pur and Jodhpur Durbars; and the House will see, if they look at page 16, that it has been increased up to Rs. 2 lakhs this year, in the Budget Estimate this year over the Revised Estimate of last year.

Mr. N. M. Samarth: That is, without any addition of any single officer being made?

Mr. A. C. Chatterjee: The only officer under the non voted head who has been added, Sir, is a Mining Engineer whom we had to import from England. That was necessary under the recommendations of the Industrial Commission to improve the mining methods in Khewra.

Mr. Jamnadas Dwarkadas: Sir, there is one further item in which I believe economy can be effected. Travelling allowances and honoraria are provided for in this item, in this Department, to the extent, I think, of about Rs. 12 to 13 lakhs of rupees. The contingent charges come to about Rs. 3 to 4 lakhs of rupees. Now I quite realise the necessity of officers travelling, but if they use a certain amount of discretion and if they avoid going to the same place over and over again, and so organise their tour as to include all the places that are in the neighbourhood of each other, probably a good deal of saving can be effected. I think it is a very modest demand, and, if in this item a saving can be effected, I hope the Honourable Member will have absolutely no objection to accepting it.

Dr. Nand Lal: Sir, I stand to support this motion, which speaks for itself. Sir, as we know, the proper function of the Government is always to confine its activities to the administrative side, and not to transform itself into commercial or industrial concerns. (Hear, hear.) Why should this Salt Department be allowed to remain at all in the Government of India hands as a Government concern? This should be entrusted to private enterprise; and, if it will be done, I daresay, the Government revenue shall not suffer and the people will find a suitable encouragement and pursuit for their activities. Government has got a good many pursuits in hand, and, on account of having so many pursuits and some of them I am sorry to say are such pursuits as should not be adopted by the Government at all there is a mass of discontent, and in order to avoid that discontent I think it will be a very suitable remedy that this Salt Department should be abolished altogether, the Government will not lose its revenue because it will get the royalty. Some officers may be employed to supervise and to see that there is no smuggling, and that the rules and the laws are not infringed, but, so far as the question of the excavating of salt from the mines is concerned, or getting it from the Sambhar Lake is concerned, these pursuits should be entrusted to private people, who are quite capable of it. They will pay royalty to the Government and hence, as already submitted, there will be no loss of revenue.

Mr. President : It is quite clear that the Honourable Member cannot effect his purpose by reducing the vote by one lakh. He could only do so if he moved the omission of the entire vote.

Dr. Nand Lal : I submit, Sir, I am assigning reasons in support of retrenchment, saying at the same time that there are arguments showing that there are no good reasons at all for the maintenance of this Department, but, taking a lenient view I content myself with supporting the present motion. Perhaps it may be suggested on behalf of Government that this work cannot be entrusted to the people because they are incapable of doing it. I will demur, and say that the people of this country are quite fit to undertake it. Some years ago, coal was excavated from mines through Government agency. Some of the coal mines are now worked by the lessees, namely, by private enterprise and the work has been done efficiently. But the explanation then offered by Government was that this work could not be undertaken by the people of this country and therefore Government was forced . . .

The Honourable Sir Malcolm Hailey : When was this said ?

Dr. Nand Lal : If I recollect correctly some 10 or 12 years ago, when this enterprise was countenanced by the people of this country, especially of the Punjab, petitions were made, and the reply to these petitions was that the people were not then quite efficient to carry it out, though subsequently, after petitioning, the leases were granted.

Mr. W. M. Hussanally : I rise to a point of order. I do not think what my friend says concerns the Salt Department. I think the Honourable Member is quite irrelevant, so far as the question before the House is concerned.

Mr. President : I thought the Honourable Member would take the hint I gave him.

Sir Deva Prasad Sarvadhikary (Calcutta: Non-Muhammadan Urban) : Sir, I move that the question be now put.

Mr. President : The question is :

‘ That the demand under the head ‘ Salt ’ be reduced by Rs. 1,71,450.’

The motion was adopted.

Mr. President : The question is :

‘ That a reduced sum not exceeding Rs. 1,32,90,000 be granted to the Governor General in Council to defray the charge which will come in course of payment for the year ending the 31st day of March, 1923, in respect of ‘ Salt ’.’

The motion was adopted.

OPIUM.

Mr. President : The question is :

‘ That a sum not exceeding Rs. 1,86,32,000 be granted to the Governor General in Council to defray the charge which will come in course of payment for the year ending the 31st day of March, 1923, in respect of ‘ Opium ’.’

Sardar Gulab Singh (West Punjab : Sikh) : I move, Sir :

General Reduction. ‘ That all votable portions of the demand under the head ‘ Opium ’ be reduced by Rs. 50,000 ’.

Mr. President : Does the Honourable Member mean the reduction of the entire vote by Rs. 50,000, or does he wish to apply the reduction to any particular item ?

Sardar Gulab Singh : According to my figures, the reduction I want to make is one of Rs. 50,00,000. I sent a note to the Secretary to that effect and if it is approved I will change it to 50 lakhs.

The Honourable Sir Malcolm Hailey : We should be very glad if we might know what we are to discuss.

Mr. President : I am trying to find out. What reduction does the Honourable Member propose to move ?

Sardar Gulab Singh : Rs. 50,00,000.

Mr. President : There is a considerable difference between Rs. 50,00,000 and Rs. 50,000.

Sardar Gulab Singn : Two zeros were left out by mistake.

The Honourable Sir Malcolm Hailey : I shall not make any objection to his change of motion, Sir.

Sardar Gulab Singh : Before I give reasons for my motion, I would draw the attention of the House to page 301 of the Blue Book. There, Sir, the Honourable House will find that in 1918 the Actuals were, for revenue, about five crores, and for expenditure about two crores. In 1919, the revenue was 4,55 lakhs, while the expenditure was 1,30,54,497. In the present Budget, the revenue is three crores and the expenditure is about two crores. So that, while the revenue has fallen from five crores to three crores, the expenditure, which was 1,96 lakhs in 1918-19, is now 1,88 lakhs. I do not wish, Sir, to go into details, which can best be worked out by officers of the Department controlled by the Finance Member, who knows well the strength of his finances. There are a few other points which I would like to mention, and which will I think convince the House that a sum of Rs. 50 lakhs, if not more, might justly and profitably be reduced from this Demand.

Sir, in 1918-19, the income under this head was, in round figures, about five crores, and the expenditure of collection and production was about two crores. In the year following, 1919-20, the revenue fell off to about $4\frac{1}{2}$ crores, and the expenditure was $1\frac{1}{4}$ crores. In 1921-22, there was a further fall in revenue to about 3 crores; but the expenditure, instead of decreasing in that year, rose to a higher figure of about $1\frac{3}{4}$ crores. In the Budget figures for 1922-23, we find nearly the same figures both on the revenue and expenditure side, as that of the preceding years. It is apparent from the above that in 1918-19, the expenditure was two-fifths of the total revenue. It will also be seen from the above that the income is dwindling, and, if I rightly remember the Honourable the Finance Member also admitted in this speech that the revenue from auction sales is steadily dwindling. Thus, it will not be out of place and inequitable if we request the Government to bring down the expenditure to the same proportion to revenue as that of the year 1918-19, that is, to two-fifths of the total revenue. Sir, in the coming year the revenue has been shown to be about three crores. Accordingly, if the expenditure is two-fifths of the revenue, it ought to be nearly one and one-fifth crores. But in the Demand the expenditure has been set down at about $1\frac{3}{4}$ crores. Thus, I think that my motion for the reduction of the demand by 50 lakhs is not an unjust one. In this connection, Sir I would like to mention the analogy of the procedure which would be adopted in big commercial firms. If in a firm having several branches of business, one branch proves to be a losing concern or shows decreasing profits year after year, and at the same time if the firm thinks that there is not the least possible chance of the market for the commodity concerned improving, the firm will set about decreasing its establishment gradually and will ultimately close the branch if necessary. Now that the chief market for opium is closed altogether and I think for ever, so I think the Opium Department will, year after year, show a steady decrease in its revenue as it is at present showing. It is time that Government should reduce the establishment in that Department. The main argument that Government advance whenever a question of reduction of establishment comes in is how to dispense with the services of officers and men of the Department concerned. But, may I ask, in a vast organisation such as that of the Government, will it be impossible to transfer existing men of one Department to another Department of the Government of India as well as to Provincial Governments, whenever vacancies occur? With these few words, I commend my motion to the House for its acceptance.

The Honourable Sir Malcolm Hailey : Sir, I do not intend to 'fling' any argument at the Honourable Member as he suggests that I may do. I merely wish to state to the House a simple fact which I think will dispose of the whole of his motion without further discussion. He proposes a reduction by Rs. 50 lakhs in our demand on account of Opium. It would have been well if he had gone a little further into the figures with which we have provided him on pages 20 and 21 of the book of Demands. He will see there that our total establishment amounts (according as to whether you merely take pay or add all allowances like travelling allowance, office rent, and items of that nature) to from 12 to $14\frac{1}{2}$ lakhs. Therefore, the 50 lakhs reduction would wipe out the whole of our establishment four times over, and that, I think, the House will admit, is in itself practically a physical impossibility if we are to continue to earn any Opium revenue at all, and that, Sir, is my simple answer to the Honourable Member.

The motion was negatived.

Mr. Jamnadas Dwarkadas: Sir, I beg to move :

General 5 per cent
reduction.

'That the demand under head 'Opium' be reduced by
Rs. 2,00,000.'

This motion for reduction is based on the principle of reducing by 5 per cent. Actually it is much less than 5 per cent. I think this is the least that the Members of this House can do and I am sure that Government will accede to this modest demand. I do not want to go into details, because it would unnecessarily take the time of the House. There are many items in which, if proper economy is effected, it would not be difficult to reduce to the extent of Rs. 2 lakhs (*The Honourable Sir Malcolm Hailey*: 'Can you specify these items?') I hope Government will accept the motion.

The Honourable Sir Malcolm Hailey: Our Opium revenues are of course, Sir, from causes perfectly well known to the House, causes for which we are not responsible, of a diminishing nature. The reduction is due largely to the fact that the Local Governments have quite raised the issue price of Excise Opium and are thereby gradually reducing consumption. It is due also to the fact that for a variety of reasons, not the least of which is international pressure, our outside customers are reducing their demands for provision opium. Actually we spend Rs. 1,88,21,000 and expect to get Rs. 3,09,00,000, that is to say, we expect to make about one crore and twenty lakhs. Now, let me analyse the figures on which this operation is built up. As I have already said, the establishment we keep up to earn this money costs actually in pay and travelling allowances, from Rs. 12 to Rs. 14 lakhs. All the rest of the expenditure is incurred on purely commercial operations, *viz.*, buying Opium and selling Opium. As for buying Opium, we give of course advances to cultivators and we have to buy the Opium when it is brought forward, that is to say, we shall in the coming year be buying Opium for which we have given advances in 1921 and we must adhere to our contract. Now, every chest of Opium that we buy we sell at sums which amount from 3 to 5 times the price which we pay for it. Commercial Members here would agree, I think, that it is a sufficiently remunerative operation (Hear, hear.) I could not advise the House to force on us any reduction that would compel us to buy less Opium, because in that case we shall have less Opium to sell. That, I think, goes without saying and consequently if we make a reduction it must be made on the establishment. Now, Sir, can you make a reduction of Rs. 2 lakhs in one year on an establishment of which the pay costs 12 lakhs? I point out that the scale of pay is hardly liable to attack. Our sub-opium agents had their pay slightly raised about a year ago, but I may explain to the House that for the future, as soon as the present sub-opium agents' services die out, we shall be employing officers purely from the provincial service of the United Provinces on provincial scale of pay. What, then, are those items which the Honourable Member puts forward as so easily capable of reduction? I should be glad myself for some information on this subject. Does the House really think that in an establishment the pay of which comes to about Rs. 12 lakhs we can effect a reduction of Rs. 2 lakhs? I must again point out that if you are to make a reduction elsewhere you will only reduce the quantity of Opium we buy and consequently the quantity of Opium which we sell. I put it to the House that this is not in itself a practicable proposition.

Dr. H. S. Gour (Nagpur Division: Non-Muhammadan): Sir, the Honourable the Finance Member has entirely misunderstood the object we on this side of the House have in view in forcing upon the Government a Resolution on Demand after Demand for the reduction of 5 per cent. expenditure. I think, Sir, it was explained yesterday that the object of the non-official Members on this side of the House is to effect at least 5 per cent. reduction in the total expenditure of the Civil Departments, and we have pointed out that, if the Honourable the Finance Member would have acceded to the request made by my Honourable friend, Sir Vithaldas Thackersey, and repeated by myself later in the day for one Resolution for a 5 per cent. reduction upon the total expenditure, we would have been saved the time of having to vote on each Demand separately for a 5 per cent. reduction. I speak once for all, Sir, that it is not necessary that we should justify the expenditure under every Demand. But what is necessary is that the Government must realise that a 5 per cent. reduction upon the total expenditure must be effected, and it may be distributed over several Demands. In some cases the reduction may be 10 per cent. In other cases it may go up to 15 per cent. and in other cases, there may not be any reduction at all, but, so long as the irreducible minimum of 5 per cent. reduction is assured, we should be satisfied. In that view, Sir, it is not necessary for any Member to justify the 5 per cent. reduction under this head 'Opium', and I ask the House to vote for this reduction regardless of what the Honourable the Finance Member has said on this particular subject.

The Assembly then divided as follows :

AYES—64.

Abdul Majid, Shaikh.	Kamat, Mr. B. S.
Abdur Rahman, Moulvi.	Latthe, Mr. A. B.
Agarwala, Lala G. L.	Mahadeo Prasad, Munshi.
Agnihotri, Mr. K. B. L.	Manmohandas Ramji, Mr.
Ahmed, Mr. K.	Man Singh, Bhai.
Aiyer, Sir P. S. Sivaswamy.	Misra, Mr. B. N.
Asjad-ul-lah, Maulvi Miyan.	Misra, Mr. P. L.
Ayyangar, Mr. M. G. M.	Mudaliar, Mr. S.
Ayyar, Mr. T. V. Seshagiri.	Mukherjee, Mr. J. N.
Bagde, Mr. K. G.	Mukherjee, Mr. T. P.
Bajpai, Mr. S. P.	Nag, Mr. G. C.
Barodawala, Mr. S. K.	Nand Lal, Dr.
Barua, Mr. D. C.	Nayar, Mr. K. M.
Bhargava, Pandit J. L.	Neogy, Mr. K. C.
Chaudhuri, Mr. J.	Ramayya Pantulu, Mr. J.
Cotelingam, Mr. J. P.	Rangachariar, Mr. T.
Das, Babu B. S.	Reddi, Mr. M. K.
Das, Pandit R. K.	Samarth, Mr. N. M.
Gajjan Singh, Sardar Bahadur.	Sarfaraz Hussain Khan, Mr.
Ginwala, Mr. P. P.	Sarvadhikary, Sir Deva Prasad
Girdhardas, Mr. N.	Schamnad, Mr. Mahmood.
Gour, Dr. H. S.	Shahab-ud-Din, Chaudhri
Gulab Singh, Sardar.	Shahani, Mr. S. C.
Hussanally, Mr. W. M.	Singh, Babu B. P.
Ibrahim Ali Khan, Lieutenant Nawab M.	Sinha, Babu Ambika Prasad.
Ikramullah Khan, Raja M. M.	Sinha, Beohar Raghubir.
Iswar Saran, Munshi.	Sohan Lal, Bakshi.
Jafri, Mr. S. H. K.	Srinivasa Rao, Mr. P. V.
Jamnadas Dwarkadas, Mr.	Subrahmanayam, Mr. C. S.
Jatkar, Mr. B. H. R.	Subzposh, Mr. S. M. Z. A.
Jejeebhoy, Sir Jamsetjee.	Thackersey, Sir Vithaldas D.
Joshi, Mr. N. M.	Ujagar Singh, Baba Bedi.

NOES—82.

Abdul Rahim Khan, Mr.	Innes, the Honourable Mr. C. A.
Aiyar, Mr. A. V. V.	Kabraji, Mr. J. K. N.
Amjad Ali, Maulvi.	Keith, Mr. W. J.
Bradley-Birt, Mr. F. B.	Lindsay, Mr. Darcy.
Bray, Mr. Denys.	McCarthy, Mr. F.
Bryant, Mr. J. F.	Mitter, Mr. K. N.
Chatterjee, Mr. A. C.	Percival, Mr. P. E.
Clarke, Mr. J. R.	Renouf, Mr. W. C.
Crookshank, Sir Sydney.	Rhodes, Mr. C. W.
Dalal, Sardar B. A.	Sapru, the Honourable Dr. T. B.
Dentith, Mr. A. W.	Sharp, Mr. H.
Faridoonji, Mr. R.	Spence, Mr. R. A.
Fell, Sir Godfrey.	Waghorn, Colonel W. D.
Habibullah, Mr. Muhammad.	Way, Mr. T. A. H.
Hailey, the Honourable Sir Malcolm.	Webb, Sir M. dePomeroy.
Hullah, Mr. J.	Zahiruddin Ahmed, Mr.

The motion was adopted.

Mr. President : The question is :

‘ That a reduced sum not exceeding Rs. 1,84,32,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘ Opium ’.’

The motion was adopted.

LAND REVENUE.

Mr. President : The question is :

‘ That a sum not exceeding Rs. 1,56,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘ Land Revenue ’.’

Rao Bahadur T. Rangachariar : I beg to move :

General reduction by 5 per cent. ‘ That the demand under the head ‘ Land Revenue ’ be reduced by Rs. 7,800.’

that is to say, one-twentieth of the total expenditure, following the general procedure we have adopted.

The motion was adopted.

Mr. President : The question is :

‘ That a reduced sum not exceeding Rs. 1,48,200 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘ Land Revenue ’.’

The motion was adopted.

STAMPS—INCLUDING EXPENDITURE IN ENGLAND.

Mr. President : The question is :

‘ That a sum not exceeding Rs. 12,45,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of ‘ Stamps—including expenditure in England ’. ’

Mr. B. S. Kamat (Bombay Central Division : Non-Muhammadan Rural) : Sir, I beg to move :

General re-duction. ‘ That the provision for cost of stamps supplied from England under sub-head ‘ Purchase of Stamps ’ be reduced by Rs 4,40,000. ’

This item relates to the cost of stamps supplied from England. My reason for the reduction of this item is that we can have stamps and stamp paper manufactured in this country (Hear, hear) ; and if the contract for the supply of stamps is distributed both in England and in this country, there is a considerable margin for reduction. I am aware that there are certain firms in this country who can carry out orders for the supply of stamps and stamp paper and I do not see why the Government, in these circumstances, should not effect an economy by giving contracts to certain Indian firms to manufacture stamp paper for the use of Government. I know at least of one particular firm and I have seen the paper turned out by that firm. I know they do supply the stamp paper to certain Native States and their paper is as good as the stamp paper manufactured in England. I think the time has come when the orders at least ought to be distributed. If the Indian firms are given orders, they will be encouraged to put up better plants and to increase their supply in course of years. On this ground of encouragement of Indian industries, I trust both we on this side of the House and the Honourable Mr. Innes and Mr. Chatterjee on the other side of the House will admit that the time has come when this Demand should be reduced by Rs. 4,40,000.

The Honourable Mr. C. A. Innes : Sir, I am afraid, however important the question raised by Mr. Kamat may be, it is a question, for the purposes of this Budget, merely of academic importance. The reason is this. At present the stamps that we require are obtained from an English firm under a contract which was concluded for ten years in 1915. That contract will not expire till December, 1924. That being so, it is impossible to give effect to Mr. Kamat's proposal in so far as the present Budget is concerned. I see that this question of printing these stamps in India has been taken up in my Department. There are, however, very serious difficulties in the way. For instance, let me read an extract which I have got on the subject. This is relating to an English firm :

‘ The work is highly specialised and many of the machines they use are of their own design. And the most minute oversight of the work is constantly exercised, not only on the technical side, by Messrs de la Rue's staff but also on the Revenue side by officials from Somerset House. The details of this are brought out in the contract bond. Its importance in view of the enormous difference between the face value and the manufacturing cost of stamps of all kinds, needs no elaboration. ’

Then he goes on :

‘ No Indian paper mill can at present produce paper of the quality used for Postage Stamps and other adhesive stamp, and still less that used for the stamped paper. ’

So the House will see that there are many difficulties in the way.

Dr. H. S. Gour : Whose report is that ?

The Honourable Mr. C. A. Innes : It is the report of the Controller of Printing and Stationery. There are many difficulties in Mr. Kamat's proposal and I hope that the House will not accept the motion for this large reduction. Even if the House were to accept the motion, there will be no possibility of effecting this economy because we have this running contract with this English firm.

Sir Vithaldas D. Thackersey : Why should you have such a contract ?

The Honourable Mr. C. A. Innes : That happened in 1915 when I was Collector in Malabar.

Sir Vithaldas D. Thackersey : Was the contract entered into by tender ?

The Honourable Mr. C. A. Innes : I am afraid I have not gone into the history of the case.

Rao Bahadur T. Rangachariar : Why was this contract entered into during the war ?

The Honourable Mr. C. A. Innes : I cannot answer that again. It was in continuation of a previous contract for 10 years. As I was explaining with reference to this contract with this English firm, the procedure is that when our stock of stamps of any particular denomination runs low—whether it is postage stamps or stamps used by Local Governments—we send Home an indent to make up our stocks. If, however, we have not enough money to buy the stamps that we require, the result would be either that Mr. Clarke would not have the postage stamps he requires for the public or that the Local Governments would not have the stamps they require for court fees and other purposes. So I am sure the House will realise that this is not a practicable motion.

Sir P. S. Sivaswamy Aiyer (Tanjore *cum* Trichinopoly : Non-Muhamadan Rural) : Sir, apart from the difficulties created by the existing contract, which I fully recognise, I should like to hear whether there are any other difficulties which preclude the manufacture of stamps in this country and whether it would be possible for the Department of Industries to consider the question of the possibility of the manufacture of stamps in this country after the expiration of this contract.

The Honourable Mr. C. A. Innes : I have already explained to the House that we have this question under consideration now. Whether we should be able to do anything, is a different matter; but we have got the matter under consideration.

Dr. H. S. Gour : May I, Sir, ask the Honourable Member for Commerce and Industry whether it is not a fact that, as stated by Mr. Kamat, stamps are being manufactured in this country for the use of Native States?

Mr. N. M. Samarth : Certainly?

Dr. H. S. Gour : And that they are actually at the present moment in use in certain Native States. If no difficulty is experienced as regards the manufacture of stamps for Native States, I don't see what difficulty the Central Government would have, besides the one pointed out about the existing contract, which should not enable it to place a contract in this country for the manufacture of stamps. I submit that if it is a fact and I have seen myself some of the stamps manufactured for use in the Native States . . .

(*A Voice :* 'Which Native States?') A great many of them. I have seen stamps for . . .

Mr. Denys Bray (Foreign Secretary) : Does the Honourable Member in referring to Native States mean 'Indian States'?

Dr. H. S. Gour : Yes, I mean Indian States. I think the Honourable the Foreign Secretary is perhaps by this time conversant with the fact that Native States are now designated by polite Indians as 'Indian States.' (Laughter.)

As regards the cost, I ask the Honourable Member for Commerce and Industries to place before the House at an early date a report as to what is the cost of the manufacture of these stamps in England and how the cost will compare if they are manufactured locally.

These are the questions which are exercising the minds of Honourable Members on this side of the House, and, if a satisfactory assurance is given, the motion for reduction, as moved by Mr. Kamat, might be modified or withdrawn.

Mr. J. Chaudhuri (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural) : May I ask the Honourable Mr. Innes if the Local Governments now obtain all their stamps through the Central Stamp and Stationery Office and whether it will not be desirable for the provinces, now that stamp revenue is a transferred subject and now that the Local Governments are fixing their court fees on different scales and otherwise increasing their stamp revenue, to make their own arrangements both with regard to stamps and stationery? That will relieve the Government of India of a great deal of burden and I expect it will also go to ensure economy in these Departments.

Munshi Mahadeo Prasad (Benares and Gorakhpur Divisions: Non-Muhammadan Rural) : May I know what are the terms of the contract? Are we bound to purchase stamps of any fixed price every year, and what will be the effect of the Local Governments having their own court fees stamps, which they have under contemplation, on this contract?

The Honourable Mr. C. A. Innes: With reference to Dr. Gour's remarks, I can only say that this question has only just been taken up for consideration. As a matter of fact, I did not know that the matter was even under consideration until I got the file this morning. I have taken a note of the two points that Dr. Gour has mentioned, namely, the fact that Indian States do use Indian-made stamps I will inquire into that point—and also his other point as to the comparative figures of cost. But, as I have pointed out, this question cannot have any effect upon this year's Budget. It is a matter for separate consideration.

As regards the other point namely, whether Local Governments should be left to make their own arrangements for the purchase of stamps, that, of course, is also a matter for separate consideration. But I would point out that these stamps are printed in the same way and are of the same pattern throughout India. Obviously, therefore, it is very much better to bulk your indents and purchase on a large scale rather than to let each Local Government make its own separate contract. I think that considerations of economy point to that conclusion. However, that is a matter on which Local Governments will no doubt have some say of their own when this present contract comes to an end in 1924. As I have said, it is quite impracticable, I think, the House will agree to make this large reduction, which will merely mean that the Postal Department and the Local Governments will not have stamps to sell, and, therefore, will not get the revenue from those stamps.

The motion was negatived.

Rao Bahadur T. Rangachariar: Sir, I beg to move :

General reduction. 'That the demand under head 'Stamps' be reduced by Rs 1,17,400.'

My motion under this head is the general motion to reduce the expenditure by one-twentieth, that is, by 5 per cent. I quite realise the difficulty pointed out by the Honourable the Commerce Member that even this motion, although it is only one-fourth of the amount moved by my Honourable friend, Mr. Kamat, errs on the side of severity. I quite recognise that, but, as regards the making of stamps in this country, either the Government themselves doing it or placing the order in the hands of private firms, the Honourable the Commerce Member has not told the House that he is going to make any beginning next year. If he will give an assurance that he will begin in earnest, so as to be ready as soon as the contract expires, so that this country will produce the stamps required for the purpose of consumption in this country, perhaps my friends on this side of the House may be unwilling to allow the item to be reduced to the extent I am proposing. But that assurance has not been given. Well, we want some beginning made in this direction. There is no use coming forward later on and saying 'Oh, we have made a contract for five years or for ten years'. The Industries Department has been in existence for I do not know how long; these highly paid officers have been in existence for some years and what have they been doing all these years as regards this small item which the country can produce. There is no reason why the country should enter into contracts with foreign firms and pay these large sums. That is what pains us and that is what induces us to take this firm attitude at this juncture.

The Assembly then divided as follows :

AYES—50.

Abdul Majid, Shaikh.	Kamat, Mr. B. S.
Abdul Rahaman, Munshi.	Latthe, Mr. A. B.
Agarwala, Lala G. L.	Manmohandas Ramji, Mr.
Agnihotri, Mr. K. B. L.	Man Singh, Bhai.
Ahmed, Mr. K.	Misra, Mr. B. N.
Asjad-ul-lah, Maulvi Miyan.	Misra, Mr. P. L.
Ayyangar, Mr. M. G. M.	Mudaliar, Mr. S.
Ayyar, Mr. T. V. Seshagiri.	Nabi Hadi, Mr. S. M.
Bagde, Mr. K. G.	Nag, Mr. G. C.
Bajpai, Mr. S. P.	Nand Lal, Dr.
Barua, Mr. D. C.	Nayar, Mr. K. M.
Bhargava, Pandit J. L.	Neogy, Mr. K. C.
Chaudhuri, Mr. J.	Rangachariar, Mr. T.
Das, Babu B. S.	Reddi, Mr. M. K.
Das, Pandit R. K.	Sarvadhikary, Sir Deva Prasad.
Ginwala, Mr. P. P.	Schamnad, Mr. Mahmood.
Girdhardas, Mr. N.	Shahani, Mr. S. C.
Gour, Dr. H. S.	Singh, Babu B. P.
Gulab Singh, Sardar.	Sinha, Babu Ambika Prasad.
Hussainally, Mr. W. M.	Sinha, Beohar Raghubir.
Ibrahim Ali Khan, Lieutenant Nawab M.	Sohan Lal, Bakshi.
Iswar Saran, Munshi.	Srinivasa Rao, Mr. P. V.
Jafri, Mr. S. H. K.	Subrahmanayam, Mr. C. S.
Jatkar, Mr. B. H. R.	Subzposh, Mr. S. M. Z. A.
Joshi, Mr. N. M.	Thackersey, Sir Vithaldas D

NOES—41.

Abdul Rahim Khan, Mr.
 Aiyar, Mr. A. V. V.
 Aiyer, Sir P. S. Sivaswamy.
 Amjad Ali, Maulvi.
 Bradley-Birt, Mr. F. B.
 Bray, Mr. Denys.
 Bryant, Mr. J. F.
 Chatterjee, Mr. A. C.
 Clarke, Mr. G. R.
 Cotelingham, Mr. J. P.
 Crookshank, Sir Sydney.
 Dalal, Sardar B. A.
 Faridoonji, Mr. R.
 Fell, Sir Godfrey.
 Gajjan Singh, Sardar Bahadur.
 Habibullah, Mr. Muhammad.
 Hailey, the Honourable Sir Malcolm.
 Hullah, Mr. J.
 Ikramullah Khan, Raja M. M.
 Innes, the Honourable Mr. C. A.
 Jamnadas Dwarkadas, Mr.

Jejeebhoy, Sir Jamsetjee.
 Kabraji, Mr. J. K. N.
 Keith, Mr. W. J.
 Lindsay, Mr. Darcy.
 McCarthy, Mr. F.
 Mitter, Mr. K. N.
 Mukherjee, Mr. J. N.
 Percival, Mr. P. E.
 Ramayya Pantulu, Mr. J.
 Renouf, Mr. W. C.
 Samarth, Mr. N. M.
 Sapru, the Honourable Dr. T. B.
 Sarfaiaz Hussain Khan, Mr.
 Sharp, Mr. H.
 Spence, Mr. R. A.
 Ujagar Singh, Baba Bedi.
 Waghorn, Colonel W. D.
 Way, Mr. T. A. H.
 Webb, Sir M. dePomeroy.
 Zahiruddin Ahmed, Mr.

The motion was adopted.

Mr. Jamnadas Dwarkadas: Sir, I beg to move :

General reduction. 'That the demand under head 'Stamps' be reduced by Rs. 1,00,000.'

My object in moving this is to seek some information

Rao Bahadur T. Rangachariar: Sir, I rise to a point of order. Is this in order? When we have agreed to a motion for reduction by Rs. 1,17,000, I do not see how a lesser sum can be moved. I do not know if my Honourable friend means it in addition to the Rs. 1,17,000 voted upon.

Mr. Jamnadas Dwarkadas: Sir, for the purpose of not getting my motion ruled out of order I shall move that a further sum of Rs. 1,00,000 be reduced. But my object in moving this is really to seek some information on the subject of the purchase of plain paper in India. Last year 3 lakhs were provided for, and the revised estimate shows Rs. 2,60,000. This year again 3 lakhs are provided for. I am sure the Honourable Member is aware that the price of paper has gone down considerably and is going down still further. I was not able to obtain the actual figures this morning but I can safely say, having had something to do with the purchase of paper, that the price of paper has gone down sufficiently not to justify this expenditure. I hope the Honourable the Commerce Member will be able to give me some information on that point.

Mr. President: I think I had better put the main question before the Honourable Member replies. The question is :

'That a reduced sum not exceeding Rs. 11,28,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Stamps—including expenditure in England'.

The Honourable Mr. C. A. Innes: Sir, it is a fact that the price of paper has dropped very considerably this year, but whether that reduction has been taken into account in making this provision for the purchase of plain paper in India, I am afraid, I do not know; but, in any case, if there is a reduction there, I shall be very glad of it, because it will enable me to find this Rs. 1,17,000 which has been cut out, without putting Mr. Clark or the Local Governments into serious difficulties with regard to their supplies of Stamps.

Mr. Jamnadas Dwarkadas: Sir, after this explanation, I withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

Mr. President: The question is :

'That a reduced sum not exceeding Rs. 11,28,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Stamps—including expenditure in England'.

The motion was adopted.

FORESTS.

Mr. President: The question is :

'That a sum not exceeding Rs. 7,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Forests'.

Bhai Man Singh (East Punjab : Sikh) : Sir, I move :

Headquarters Charges ' That the provision for Headquarters Charges be reduced by Rs. 100.'

Sir, my reasons for moving this amendment are that Forest is a provincial subject and a provincial transferred subject in the Presidency of Bombay. So far as I know, nearly all the forests in the whole of India are situated in the different Provinces, and if there are any forests directly under the Government of India they might be in the North-West Frontier Province, and perhaps there might be some in Ajmere and Coorg. But, as I am told at the beginning of the book, the Demands for Forests in those Provinces are given under a separate heading there, and the forests there are of comparatively small dimensions. The only forests I believe that are directly under the Government of India are the forests in the Andamans. So I cannot understand why we have got such a large staff in the Central Government offices and such a large number of officers in this Department that the total cost of this staff and officers is Rs. 1,72,000. We have got one Inspector General of Forests drawing Rs. 3,250 a month, and there is an Assistant Inspector General of Forests drawing Rs. 1,750 rising to Rs. 2,250 a month.

Then we have got a Consulting Forest Engineer drawing Rs. 2,250 a month. The number of clerks under these three officers is comparatively very small, that is, 11. If an officer has got a very large amount of official work to do, he must naturally have many clerks under him who have got to execute the orders which he issues. This clearly shows that there is not much office work for these three officers. So far as the research work and original experiments are concerned, we have got quite a separate institute, namely, the Forest Research Institute at Dehra Dun and we have got a complete separate staff meant for that institute. So far as I can understand, the officers in the headquarters have not got to do any research work. I should like to know under these circumstances, Sir, why should there be such a large staff to control the forests in the provinces such as Coorg, Ajmer, which I may say is not more than one district in dimension and North-West Frontier Province. With regard to Andamans, I think that one of these officers would hardly be going even once a year to tour in the Andamans. My attention has been drawn to the fact, by my Honourable friend, Mr. Jatkar, that there is a separate forest staff in the Andamans as well. So, before voting for the votable portion of this demand, the House has every right to know why we have got such a large number of officers, with their staff, in the Central Government. The other question is about the training of Indians in England. The Honourable Member who represents the Department would very well remember that we had a discussion on this subject, namely, as to whether full facilities were given for Indian students to be sent for training in England and I should like to know with reference to our last year's debate how matters have been facilitated and how it has been made easier . . .

Mr. President : Does the money under this Demand cover the training of Indians in England ?

Bhai Man Singh : Very well, Sir. I shall reserve my remarks on this point for a later amendment under this very head ; for the present I should like to know why we have so many officers.

Mr. J. F. Bryant (Madras : Official) : Sir, I think that the Honourable the Mover of this amendment cannot have read this Blue Book very carefully. If he will turn over a few pages, he will find many things of which he was not aware. On page 233, there is Ajmer. The receipts from forest revenue are Rs. 48,000. As regards the Andamans and Nicobars, I would like to point out to him that the figures on page 239 showing the receipts from forest revenue are very large. That does not exhaust the list. There is Rajputana. Again there is Central India, page 256. There you have relatively large receipts. Coming to the south of India, I would point out that there is the province of Coorg which forms a very important item. I think that, if the Mover of the motion had considered these facts, we should not have had the motion which he has just had the honour to move.

Mr. J. Hullah (Revenue Secretary) : Sir, we still retain the Inspector General of Forests and the Assistant Inspector General in spite of the fact that in most provinces Forests are a provincial subject though not a transferred subject except in Bombay. The Inspector General is for the most part a touring officer. We have the Andamans, Coorg and the North-West Frontier Province, all of which have valuable forest properties.

The Andamans in particular have been described by a consulting engineer from America as the very finest forest property in the world, and Mr. Howard, our Timber Agent, who lectured about a fortnight ago to a few Members of the Legislature who were able to attend, told us that we had in them a veritable gold mine. In the North-West Frontier Province, our forests are of great value and we hope, when we can get the money, to introduce the resin extraction operations which have brought in very considerable net revenues to the Governments of the Punjab and the United Provinces. In Coorg we have valuable forests, especially in the matter of sandalwood. It may be said that there is no need for our Inspector General of Forests to tour. For many years past he has toured on behalf of the Government of India, but not in the provinces of Madras and Bombay. Those two provinces have for a great many years enjoyed a position of almost complete independence in the matter of their forest administration and they have their own self-contained staffs. Their officers are not liable to transfer to other parts of India. I mention this only to add that we have recently received from those two Governments, Madras and Bombay, special requests that we will in future extend to them the services on tour of our Inspector General of Forests and I may remind the House that one of those two Governments administers Forests as a transferred subject. We have also the Forest Research Institute and we need an adviser in the Government of India to tell us how to develop it, but I may have a further opportunity of explaining the scope of that institute if the further motion that I see on the paper is moved. The Assistant Inspector General of Forests is wholly an office hand, and I can assure the House that there is plenty of work for him to do, more particularly as has transpired in the matter of the Indianisation of the Forest Service.

We have been asked what progress we have made in that direction. Last year, we sent 22 Indian probationers to England. That was more than the number which should have been sent according to the percentages which have been laid down as a result of the recommendations of the Public Services Commission. Honourable Members may think that this percentage is not high enough, but until it is altered by orders, it remains, and, I repeat, last year we sent to England more probationers than we should have sent under those orders. I do not know if the House realise how much work there is involved in getting Indians into the Imperial Service. You, first of all, put out your regulations, after correspondence with the Secretary of State. You then receive a large number of letters from possible candidates, many of them asking whether they cannot be excused from the age limit, or whether they cannot be excused from the fact that they do not possess the necessary educational qualifications. We say 'no'. But still requests of that kind require an answer, and involve a good deal of work and a good deal of correspondence. Then we arrange for our Selection Committee, or our examination, or both, and when we have selected the men whom we propose to send to England, we are again faced by a smaller, but still a large, number of applications from the rejected candidates, asking why they were rejected and challenging the marking of the papers or the fairness of the Selection Committee. At last, we begin to send them to England, and even then we have to arrange for their passports and their passages and to tell them what they have to do and where they have to go; and I assure the House it takes a great deal of trouble before we land them safely in London. All that, I think, will come to an end when we train the probationers in India.

The House may be aware that there are schemes for developing Dehra Dun as a training institution, not only for the Provincial Services, as at present, but also for the Imperial Service. Dr. Sarvadhikary has given notice of a Resolution expressing a preference for one of the alternative schemes, or rather, I should think I should say, condemning the other

Mr. President: Order, order. We are considering not Dehra Dun but Headquarters Charges.

Mr. J. Hullah: I am trying to show that there is still plenty of work for the Government of India, but I will not enlarge on that point.

Another point is the posting of the staff. We still have to retain in our hands control of this matter,—the transfers between provinces. That is a matter which cannot, I am sorry to say, be left to the Local Governments.

That is all that I wish to say, Sir. I hope I have shown that we still have some work to do.

Rao Bahadur T. Rangachariar: Sir, Honourable Members will notice that under this Demand No. 7, our axe has not come into play. It is because

we want the forests to develop as quickly as possible so that from the development of commercial Departments like Railways, Forests and other irrigation works, people may be relieved of taxation in this country. That being the object in view, we hope and trust that speedy progress will be made in the development of the forests of this country, and the country will not be reluctant to grant expenditure under that head, provided due regard is had to Indian interests.

Mr. R. A. Spence (Bombay : European) : Sir, may I congratulate the Democratic Party (Cheers) on the grain of sense that they have shown this morning. (Laughter.) I am extremely glad indeed that the forests, which, as my Honourable friend, Mr. Rangachariar, says, do want development and are such a gold mine to India, have not been cut down by the democratic axe. I only wish that they had followed that course in regard to some of the earlier motions.

Mr. N. M. Joshi : Sir, I should like to get some information from the Honourable Member in charge of the Department. My friend, Mr. Bryant, from Madras, spoke something about the revenues and expenditure of this Department. I find from the statement of revenues that the total revenue of this Department from forests is Rs 21,68,000, and from the statement about expenditure I find that the total expenditure is Rs. 54,12,000. Sir, it is due to the House that the Member in charge should explain how this is a commercial proposition. I am not against spending any money on forests, but I certainly want information and an explanation how this is a commercial Department and a revenue-producing Department.

Mr. J. Hullah : Sir, I do not say that our expenditure on Forests is or will be immediately covered by receipts.

Mr. N. M. Joshi : In how many years, Sir, will it be ?

Mr. J. Hullah : I do not say that the large expenditure on the Research Institute can be immediately covered by receipts to the Government of India. I only say this, that in the last 40 years the forest surplus—not revenue—the forest surplus of India as a whole has risen from 15 lakhs to 220 lakhs. That, of course, includes the revenues of all the provinces. There is a large expenditure provided under the Andamans, expenditure even there which exceeds the immediately anticipated receipts. We hope to develop the Andamans, and we shall have to lay out a very big capital outlay, amounting, we expect, to no less than 50 lakhs. It will, in due course, come before the House, though not, I am sorry to say, this year. It will be for the House to judge whether it is a wise outlay and whether it should be made in spite of the fact that we cannot show in the very same year receipts which more than counterbalance that outlay.

The motion was negatived.

Mr. P. L. Misra (Central Provinces), Hindi Divisions : Non-Muham-
madan) : Sir, I beg to move :

Miscellaneous other charges—Forest Re- search Institute.	‘That the provision for Miscellaneous other charges under sub-head ‘Forest Research Institute’ be reduced by Rs. 40,000.’
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Sir, I have no mind to cut out this item. I wanted simply an explanation from the Honourable Member in charge. We see that we have provided for the purchase of stores, tools, plant, communications, buildings, and so on. And yet we find under ‘Miscellaneous other charges’ Rs. 1,06,850. In the year 1921-22 it was Rs. 64,100. I therefore require some explanation for the increase of this expenditure under ‘Miscellaneous other charges’. ‘Miscellaneous other charges’ is a very ambiguous term and I should be glad if the Honourable Member will inform us as to the items this consists of. I do not press my amendment further.

Mr. President : The question is :

‘That the provision for Miscellaneous other charges under sub-head ‘Forest Research Institute’ be reduced by Rs. 40,000.’

I understand that the Honourable Member wishes merely to raise a point of criticism. There are two purposes for which motions for reduction may be moved; one is to save money, and the other is to obtain satisfaction from Government on a point of criticism. I may point out to the Honourable Member that if he wishes to obtain satisfaction on a point of criticism, it is much better to move a very small reduction; otherwise, his friends may take the matter into their own hands and carry a reduction which he himself does not wish to effect.

Mr. J. Hullah: I am sorry, Sir, that I cannot give the details. I have not got them with me. But the figure represents one lakh less than we asked for and is all that has been allowed to be included in our Budget. Generally speaking, the largely enhanced figure is a consequence of the expansion of the Institute at Dehra Dun which has occurred this year. Since December 1920, we have employed a Seasoning expert, a timber testing expert, a paper pulp expert and a wood worker. The incidental expenditure of the Institute has grown in consequence. That, I am afraid, is the only explanation that I can give in the absence of particular details.

Mr. Pyari Lal Misra: Sir, I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

Bhai Man Singh: Sir, I move :

Forest Re-
search Insti-
tute Estab-
lishment 'That the provision for establishment of the Forest Research Institute be reduced by Rs. 25.'

At the outset I would like to make it clear that my object is very far from any wish to obstruct research work. I do really want that more and more energy should be devoted to research. But, Sir, we have a large staff and a collection of experts in the Forest College, and the House is perfectly entitled to know what they have done during so many years of service. Has any research work been successfully carried on? For instance, we have a Forest Botanist and a Forest Chemist. I should like to know what success and what results have been achieved by them in their researches, and where are the facts to prove that they have been doing their work worth their salt? Of course, I quite understand that results in research cannot be obtained in a day or two. But on the other hand it is quite possible for an easy-going research worker to say that he has been trying, but can show no results. I think that those who are responsible for the administration of that institute, directly or indirectly, should exercise a certain amount of control over the research workers, and should know definitely in what branches they are making experiments, what compounds they have discovered, and generally what results they have arrived at in the way of improving our forest industries. Surely, if our Forest Botanist and Forest Chemist, after efforts extending over so many years, are not able to show any results, we can very well come to the conclusion that they are either incompetent or that they are not doing their work. That is one point on which I should like information, namely, for how many years these officers have been working in the College and what results they have shown.

The other point about which I would like to know is, how many of these experts and officers are Indians, whether there have been any Indians employed at all in the Forest Department in this College in research work, and, if so, whether those Indians have shown any results; whether they have left the College, and, if so, whether their posts have been filled by other Indians? These are the two points about which I should like to have information from the Honourable Member representing the Department before I withdraw this motion.

Mr. J. Hullah: Without going into this at great length, I can only refer the Honourable Member to a publication which I hold in my hand, the Progress Report on Forest Research in India, which has been published and is available to him at any time. Among the principal results that the Research Institute is able to show is the very flourishing resin and turpentine industry in the Punjab and the United Provinces, which I have already mentioned. That was a direct result and a direct consequence of tests made in the chemical section of the Institute. Tests made there have also resulted in the institution of a thymol factory near Dehra Dun. The visits and advice of the Economist have resulted in the creation of one company in Bengal and one at least, I believe two, in Burma, for the manufacture of paper from grasses and bamboo. In the botanical section, by investigating the aeration of soil, a process has been discovered which it is believed—of course it cannot be proved yet—will reduce the period of growth of the very valuable timber, *sal*, by no less than 25 years.

I was next asked as to what has been done in regard to the employment of Indians in the research posts at Dehra Dun. Very little, I am afraid. I do not know where we are to get an Indian who will take on the post of a specialist in say, seasoning, or in timber testing, or one who has specialised in tans or in wood technology. We have not been able to get experts for some of these posts yet, although they appear in the Budget. And those specialists whom we have been able to recruit have all come from America. We could not get them even in England.

The only Indian who has held one of these posts was Mr. Puran Singh, who held the post of Forest Chemist, and I believe did very well, but has now resigned. We have a scheme, barred by financial stringency, of employing as Assistants to each and everyone of these experts, Indians, so that they may take the places of the experts when they go. The American experts whom we have imported are all only under 3 years' agreements and fairly soon they will have to be replaced. We have appointed at Dehra Dun two Indians to work under these experts who in due course will, we hope, succeed them.

Sir Deva Prasad Sarvadhikary: I do not know whether this explanation and information will satisfy Bhai Man Singh. They do not satisfy me. However, I deprecate the raising of an important debate like this on a side issue in connection with the Budget. As has been mentioned, I tried to get in a substantive Resolution but I could not. I am informed that Government propose to bring up the matter by a Resolution and I suggest that we wait till then and bring in all that we have got to say on this important matter.

Mr. N. M. Samarth: As Government know that a Resolution has been passed by this House for the purpose of sending Indian and Anglo-Indian youths abroad for, among others, education and training in Industrial Chemistry, theoretical and practical in all its branches, I hope and trust that before we meet next year, effective steps will have been taken to give effect to that Resolution..

Mr. B. H. R. Jatkari (Nominated Belar Representative). Has any progress been made in regard to the preparation of paper pulp from cotton plant?

Mr. J. Chaudhuri: Mr. Hullah has referred to experiments with regard to grass pulp and bamboo pulp. But the processes of obtaining paper pulp by such processes is well-known in India. But what we cannot get in India is wood pulp. I should like to know whether suitable wood is available in India and whether any experiments have been made in the Forest Institute for the manufacture of wood pulp in India. Let us accept Dr. Deva Prasad Sarvadhikary's suggestion and reserve the discussion of such questions till later on, when the Honourable Member will also be in a position to furnish fuller information.

The motion was, by leave of the Assembly, withdrawn.

Mr. President: The question is :

'That a sum not exceeding Rs. 7,41,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Forests''

The motion was adopted.

The Assembly then adjourned for Lunch till Fifteen Minutes Past Two of the Clock.

The Assembly re-assembled after Lunch at Fifteen minutes Past Two of the Clock. Mr. President was in the Chair.

RAILWAYS.

Mr. President: The question is :

'That a sum not exceeding Rs. 73,92,79,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1923, in respect of 'Railways'.'

I have received information that there is a general desire in the Assembly to discuss a motion for a substantial reduction, *viz*, Rs 25 lakhs, independent of other motions for reduction. I may point out that, if I permitted that, it would exclude some of the smaller motions for reduction. On such a motion, smaller points could be raised by Honourable Members in whose names the smaller reductions stand. They would be at liberty to move those smaller reductions in the course of the debate

Mr. B. S. Kamat: May I know what happens to my motion which is a larger reduction? Shall I not get the opportunity to move the large reduction?

Mr. T. V. Seshagiri Ayyar (Madras: Nominated Non-official) : I suggest that the larger reductions should be taken first, as a substantive proposition; the amendment of Sir Vithaldas Thackersey may come afterwards, and the House may then vote upon the whole

Dr. H. S. Gour : I suggest that the motion for reduction by Rs 25 lakhs be first discussed, and, if Mr. Kamat wants to move his Resolution for the larger reduction, he should be at liberty to do so.

Mr. President : The procedure usually adopted is to take the larger reduction first.

Mr. B. S. Kamat : Sir, I beg to move .

‘That the demand under head ‘Railways’ be reduced by Rs. 73,00,000 as under

Sub-head Working Expenses (a) General Superintendence (in Appendix B).

	Rs.
Assam-Bengal Railway, by	2,00,000
Bengal-Nagpur Railway, by	8,00,000
Bombay, Baroda and Central India Railway, by	10,00,000
Burma Railways, by	3,00,000
Eastern Bengal Railway, by	6,00,000
East Indian Railway, by	11,00,000
Great Indian Peninsula Railway, by	11,00,000
Madras and Southern Mahratta Railway, by	5,00,000
North-Western Railway, by	10,00,000
Oudh and Rohilkhand Railway, by	3,00,000
South Indian Railway, by	4,00,000
General Superintendence Total	73,00,000

Members will notice that, so far as this reduction is concerned, I am confining my attention chiefly to the working expenses of Railways, and, as there are two or three principal items which come under the head of Working Expenses, I should also make it clear that I am not going to deal with all the items of working expenses which are involved in the working of the Railways, but am confining my attention in the motion to the matter of General Superintendence only, that is to say, the staff of the various Departments. The other items which come under the head of Working Expenses, as, for instance, Fuel, Renewal, Carriages or Wagons, Rolling Stock, Locomotives, Permanent Way, and various other items, I am not going to touch. So far as my motion goes, I shall concentrate my attention on the expenditure which is budgeted under the head ‘Railways’, so far as superintendence of the various railways is concerned.

I contend, Sir, that the Railway Department is expending a great deal more than they should do over the staff. I am aware that the scale of wages or scale of salaries of higher officers has gone up since the war, and I do recognise that a certain percentage of rise on account of staff expenses is bound to occur; but what I contend is that there seems to be an extravagance, even allowing for the present scale of salaries or standard of wages, on the part of some railways in regard to the charges for their staff. I can prove this point from statements contained in Government Reports themselves. If we take for instance two railways which are similarly situated, and examine their total charges for wages, I think that point will be perfectly clear. Unfortunately in the report of the railway working, with which Members have been supplied recently, there have been no details supplied of the various persons getting salaries below Rs. 1,000 per month; but even the meagre data, which the recent Railway Report affords, supply us with definite conclusions on that point, and I hope, by giving you certain facts from the Railway Report itself, I shall be able to deduce a cogent conclusion that certain railways at any rate are spending on their staff sums of money in an inordinate manner. Now, it must be noted that any comparison in the working of different railways is likely to be vitiated if we do not bear in mind certain special features under which the different railways work; for instance, Railways near coal-fields have their working expenses affected by the fact that they are close to the coal-fields. For the purposes of a comparison, therefore, I will take two Railways, whose scales of wages prevailing in the area and other conditions of working are nearly the same.

Now, the two Railways which I am taking for comparison are the Bombay, Baroda and Central India Railway and the Great Indian Peninsula Railway. The Great Indian Peninsula has under its working a mileage of 3,300 miles and the Bombay, Baroda and Central India has under its working a mileage of something like 4,000 miles. That is to say, the Bombay, Baroda and Central India has a larger mileage than the Great Indian Peninsula. And yet what are the expenses for working the lines so far as the staff goes. If we turn to page 21 of the recent Railway Report, we are told therein that the Bombay, Baroda and Central India, which I have told you has the larger mileage, spends Rs. 3,43,00,000 over its staff, and the Great Indian Peninsula, which has a smaller mileage, spends Rs. 4,76,00,000, that is to say, one crore and 33 lakhs more. Now, these two Railways are, I maintain, similarly situated in every respect, and yet, although the Great Indian Peninsula has a smaller mileage, it spends one crore and some lakhs more than the Bombay, Baroda and Central India over its superintendence charges. Now, we shall be told that, so far as the superintendence and staff goes, it is all a matter of efficiency. But let me point out that, so far as the efficiency of these two Railway systems is concerned, I do not think any Member dare say that the efficiency of the Bombay Baroda and Central India is a bit inferior to the efficiency of the Great Indian Peninsula. On the other hand, I believe the efficiency of the Bombay, Baroda and Central India is as good as, if not better than, the efficiency of the Great Indian Peninsula. All this conclusively goes to show that, so far as the working expenses for staff and superintendence are concerned, the two systems have a very large discrepancy in their expenses. Now, what are the reasons. If you very closely go into the question of salaries even of the officers mentioned in Appendix B, you will find that the Great Indian Peninsula Railway has a very extravagant and much larger scale of salaries for its officers than the Bombay, Baroda and Central India. Take, for instance, the Engineering Branch of the Great Indian Peninsula. I see that the Chief Engineer on the Great Indian Peninsula is paid a salary of something like Rs. 3,000, whereas the Chief Engineer of the Bombay, Baroda and Central India, which works a greater mileage, is paid Rs. 2,400. Take other Departments, for instance, Loco, traffic and, for the matter of that, any other Department; you will find, if you examine the columns of the salaries given in this publication, that the Bombay, Baroda and Central India which has an Indian element, pays a smaller scale of salaries to their officers than the Great Indian Peninsula. Well, I think I have shown very cogently and conclusively, Sir, that taking these two Railways which are similarly situated, the difference in working expenses is due perhaps to a great extent to the great difference in the scale of salaries paid to their higher officers. I can safely conclude also that, so far as the officers and men below the salary of Rs. 1,000 are concerned, perhaps the same explanation accounts for the difference between these two Railways. From these facts, I contend that the question of the superintendence and the salaries given to the staff in the different Railways requires a very close investigation. I am aware that in these days artisans, skilled labourers and others are all clamouring for a higher rate of wages. But this is a question of degree. I was told the other day that the excess in expenditure in 1921-22, so far as the Railway Department goes, namely, 10 crores of rupees, of which we were discussing a few days back when we were on this subject, was not entirely due to an excess in wages and salaries but was also due to certain other causes such as repairs, etc. But here I am now quoting facts only about superintendence and wages. I need not take into account other factors, namely, the cost of repairs to rolling-stock. I think I have already shown from the Government publication that these two distinct systems of Railways have a very wide discrepancy in their charges for salaries. I think I have been able to make out my case conclusively that there is a great deal of extravagance going on somewhere in the superintendence charges of the various railways. The only factor which is in favour of the Great Indian Peninsula is perhaps the fact that they have to work two Ghat Sections. But even then we must remember that out of the total mileage of something like 3,300 miles the Ghat Section is after all a very very small fraction indeed and it ought not to account for the very large excess in the working expenses. Now, Sir, it comes to this. Not only the scale of salaries in all grades must be looked into but the main question, namely, the Indianisation of different branches of the Railways, must be very closely and earnestly looked into. I am rather sorry to harp on the same subject again. But the reduction of the charges for superintendence hinges itself on the question of the degree of Indianisation carried on by each Railway. And I think although we shall be told that the question of Indianisation cannot be solved in a day, that this question is the crux of the matter and it is at the bottom of the whole thing. So far as the question of Indianisation is concerned, I believe we have right to know from the Member in charge what he has done during the last year. The very same question was raised by me in connection

with the same Budget item last year when we were discussing the Budget. We shall be told perhaps, when the Honourable Member gives me a reply, that the question is being looked into and that men actually in service cannot be sacked in a day, that the salary bill cannot be curtailed by a stroke of the pen, and the same thing that he told us last year. But, on the other hand, what I want to know from him is this. Has he made a beginning? Has he looked into the question during the last twelve months? Has he asked the different Railway Companies whether they are having any vacancies in higher grades and how these vacancies have been filled up by them? Has he sent round a circular to the different Railway Companies to the effect that, whenever vacancies occur, they ought to stick to this principle of having as many Indians as possible, subject of course to the proper standard of efficiency. Well, if he can satisfy me on this question that the principle of Indianisation is being steadily carried on and that he is laying a foundation, as it were, of Indianising the Railway Services, then I think I should be satisfied. But, if he is still looking into certain files, or making certain inquiries or simply asking for reports from various Companies, then I maintain he would not be giving us a satisfactory solution of this difficulty. One more point about the working expenses. I believe that this question can never be solved as long as the Railway Department do not insist on the training of skilled men, foremen, artisans and other skilled men, for the various Railway Services in India. I should like to know from the President of the Railway Board whether in this respect any action has been taken during the last 12 months. There are so many Railways in India and, if they want cheap and efficient labour, both skilled and unskilled, I think it is time that they should start workshops for the training of artisans, foremen and others in the various branches instead of importing all these men from overseas. I should like to know how many Railways have started workshops for admission of Indians. If the Railway Department had insisted on the different Railway Companies to start workshops for the training of Indians for the different technical branches, I think I shall have nothing to say. But the fact is that nothing has been done. If this has been left entirely to the discretion of a few Railway Companies in India, then I believe that the policy which the Railway Department is pursuing is the *laissez faire* policy, and I do not think that they can claim the credit of doing anything tangible or substantial so far as the Indianisation or so far as the training of Indians for the Railway Departments goes. On these grounds, Sir, we must insist that it is time now to reduce the working expenses over the superintendence charges. I, therefore, move :

‘That the demand under head ‘Railways’ be reduced by Rs. 73,00,000’.

Mr. N. M. Joshi : Sir, I have great pleasure in supporting the motion put forward by my Honourable friend, Mr. Kamat. Sir, I also, after reading the statement, about the Railways, have come to the conclusion that the working expenses of the Railways are too large. I find, after going through these statements, that a number of new posts including temporary ones carrying salaries of Rs. 1,000 and more have been created during the last year and they number about 100.

Not only that, but when we compare the salaries, we also find that in the case of about 400 posts, the scales of salaries have been raised during the last year. Sir, this is a year of deficit and, whenever there were demands from the subordinate staffs of the Railways, the Railway Board has replied that this year they could not expect any rise in their wages, while we find in the case of the higher Services, at least 400 of them getting higher scales of salaries during this year. I think this matter requires very close scrutiny by this House before they sanction the whole budget of the railways. Personally, I believe that these officers are very highly paid and their salaries need not have been raised at all, and, if we do not raise the salaries of these officers, we are sure to have a good balance left for cutting down the working expenses.

Then, Sir, I would like to make one remark about Indianisation. Only a few days back the Honourable Member in charge of the Department of Commerce and Industries said that in the Railways you require skilled labourers, men requiring technical skill and efficiency. I think we should ask the Government now to state in clear terms which Departments of the Railways require skilled officers of a kind which cannot be obtained in India. That will enable us to find out how many of these appointments could have been filled by men in India and how many could not have been filled. We see Europeans being appointed in all sorts of posts, which I am quite sure could have been filled by Indians. There is a distinction made as regards the salaries of guards and ticket collectors even. Now, certainly a ticket collector does not require a skill which can be obtained only by a particular community and cannot be obtained by other classes of Indians.